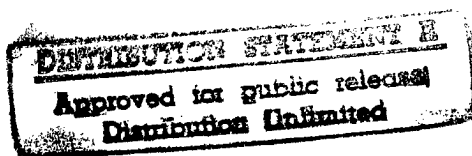




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Official Concern With Fighting in Moldova
AU2605091492 Sofia BTA in English 0839 GMT
26 May 92

["Bulgaria Is Concerned Over Fighting in Moldova"
BTA Report; "Bulgaria"]

[Text] Sofia, May 26 (BTA)—Bulgaria is concerned over the escalation of fighting in Moldova, whose President Mircea Snegur announced the possible introduction of war-time measures, says today's DEMOKRATSIYA, the daily of the Union of Democratic Forces, quoting an unidentified Foreign Ministry official.

According to him, the reason for Bulgaria's concern is that there is a considerable Bulgarian minority in Moldova, whose security cannot be guaranteed in the conditions of continuing fighting between the Moldovan authorities and the Russian-Ukrainian minority on the left bank of the Dniester River. The diplomatic source reminds that there are about 100,000 Bulgarians in Moldova.

Bulgaria, whose position was expressed in a declaration of the Foreign Ministry and was confirmed by Foreign Minister Stoyan Ganev in Helsinki, supports the efforts for a peaceful settlement of the conflict in Moldova, says the Foreign Ministry official. The Foreign Ministry may issue a new declaration after it checks the information about the conflicts and the problems of the Bulgarian minority in Bessarabia, the unidentified source predicts.

Silistra Wants Action Against Romanian Claims
AU2305180692 Sofia BTA in English 1737 GMT
23 May 92

[BTA report: "Can Southern Dobrudzha Become Apple of Discord?"]

[Text] Silistra, May 23 (BTA)—The citizens of the town of Silistra (on the Danube) are expecting the Bulgarian Government to take "an official and firm stand" on the publications which have appeared in the Romanian press of Romania's territorial claims on southern Dobrudzha. This is pointed out in a letter to the president and the prime minister by the chairman of the Municipal Council of Silistra, Vasil Kalinov, and the mayor of Silistra, Stoyan Plugarov. The letter expresses concern over the claims of the political campaign alliance in Romania "United Democratic Convention" for the restoration of the Romanian borders of 1930. The citizens of Silistra protest against "the latest political provocation" of the nationalist circles in Romania and describe their territorial claims as disrespect for the "patriotic feelings and national prestige of Bulgaria." "That is why we insist on an official and firm reaction to such provocations aimed at destabilizing the relations with Romania," the letter of the leaders of Silistra reads. It insists that the Bulgarian Government requests "an official stand on the part of the Romanian authorities."

International Agreements, Crime Rate Viewed
AU2605093492 Sofia BTA in English 0841 GMT
26 May 92

[Text] Sofia, May 26 (BTA)—President Zhelyu Zhelev is to head the Bulgarian delegation to the UN Conference on

Environment and Development to be held in Rio de Janeiro from June 3 through 15, 1992, it was decided at the session of the government which ended late last night. Together with Foreign Minister Stoyan Ganev, the president will attend the last stage of this conference, when the final documents will be signed at summit level. The government also approved the draft conventions to be signed at the forum by the minister of environment, Mr. Valentin Vasilev, on behalf of Bulgaria.

The draft agreement on Bulgarian-Venezuelan cooperation in culture, science and education was also approved. This agreement is to provide the basis for the forthcoming talks and the signing of the respective intergovernment documents.

The cabinet approved a Bill on the Amendment of the Criminal Code, introduced by the ministers of justice and internal affairs. The changes, which the sponsors believe are indispensable, aim at facilitating the combat of crime and the preventing of criminal activities in the economic sector.

As Bulgaria still lacks a state coat of arms and a new issue of coins should be put into circulation, the government stipulated the conditions for its design. The coins will carry the inscription "Republic of Bulgaria" and will feature elements of the Bulgarian flora and fauna, historical symbols and architectural monuments instead of the coat of arms, the Council of Ministers decided.

The government discussed several possibilities for the use of former Party House of the Bulgarian Socialist (former Communist) Party in the centre of Sofia. The final decision will be made after a public opinion poll and a specially appointed expertise.

Russia Agrees To Buy Uranium Concentrate
AU2305183792 Sofia PODKREPA in Bulgarian
16 May 92 pp 1-2

[Interview with Zhak Karakash, deputy chairman of the Board of the National Electricity Company, by Pavlin Peev; place and date not given: "Russia Is Inclined To Process Bulgarian Uranium"]

[Text] At the end of April, a Bulgarian delegation held talks in Moscow with interested Russian organizations and ministries on the problems of exporting Russian-produced nuclear fuel for the Kozloduy Nuclear Power Plant and importing Bulgarian uranium concentrate into Russia. Mr. Zhak Karakash, deputy chairman of the Board of the National Electricity Company, discussed this subject with a representative of the TRUD Editorial Board.

[Peev] Mr. Karakash, the fate of uranium mining worries thousands of workers in the Rare Metals Company. Do the results of the Moscow talks offer any grounds for hope?

[Karakash] The talks with our longstanding partners had several purposes. One of them was for us to announce the amounts of fuel required to operate the five units at the Kozloduy Nuclear Power Plant during 1993. In addition, we asked for additional offers to supply ready-to-use fuel elements produced from Soviet raw materials and offers for elements using Bulgarian uranium concentrate. We reached

a mutual agreement that both sides are interested in long-term contracts that greatly depend on the prices.

[Peev] This probably led you to further define the areas of mutual interest.

[Karakash] Yes. One of the members of our delegation was Veselin Veselinov, a manager of the Rare Metals Company, who fully briefed the Russian representatives on what his company could do. It was established that our available concentrate is almost sufficient to meet Bulgaria's needs. The next day, the Russians offered considerably higher prices for our uranium than they had previously.

[Peev] Was their offer accepted?

[Karakash] Unfortunately, we first have to establish a new transportation arrangement for the deliveries because of the changes in the state borders of the former USSR. The prices we offered are free to the Russian border, and our hosts promised to set up new routes for the uranium within the next few days. This will have a bearing on the Rare Metals Company's assessment of whether the offer is advantageous.

[Peev] What is the basis of comparison?

[Karakash] The Western offers that the National Electricity Company is already examining will form the basis. In principle, it is not easy to change over to a new system because the consent of the chief designer of the nuclear power plant is also required. In addition, none of the Western producers supplies nuclear fuel to Russian parameters, so that we remain tied to Russia.

[Peev] Under these circumstances, is your general assessment of the meetings positive?

[Karakash] The most important thing is that the Russians agreed to buy Bulgarian concentrate. Things will be clearer in two or three weeks. The contract to import fuel from Russia is a certainty. It remains to be seen whether we will also sign an agreement to export our raw material, if the Rare Metals Company accepts the price offered. The company wanted higher prices but is unlikely to obtain them anywhere else, given that the market is now saturated.

Havel Criticized for Handling of Slovak Issues

92CH0541A Bratislava SLOBODNY PIATOK in Slovak
24 Apr 92 p 1

[Guest commentary by Katerina Perknerova: "No More Fog"]

[Text] The president of the CSFR has the constitutional right to speak before the Federal Assembly at any time. During the past two years it became obvious that Vaclav Havel exercised that right only when he considered it important to use the auditorium of the highest legislative body to address all citizens. His latest parliamentary speech on 14 April, with which he opened the closing session of both chambers during this term, is proof of that as well.

Havel's hour-long musing about the last two years and the developments that will immediately follow them continued the theme of his statements in the most recent Conversations from Morava and Kosice. It almost begs to be said that the speech this time lacked the previously usual moral and philosophical dimension and had a strictly pragmatic tone. A tone, which Vaclav Havel chose as the only possible one for an above-party president in the preelection period. While obviously that was not the issue.

The words of the current head of state were supposed to ring in the ears of all citizens, but in some definitely more emphatically than others. In the ears that adorn the heads of the leaders of what will be the future strongest parties. But even that would not be enough. Czech ears have been sensitive to Havel's words for a long time now. Moreover, the chairmen of the two most influential parties, Vaclav Klaus of ODS [Civic Democratic Party] and Jiri Horak of CSSD [Czechoslovak Social Democrats] have already given their clear "yes" to Havel's future candidacy. Jiri Horak pragmatically, because he does not see any other suitable person for that function when he realistically evaluates the actual distribution of political forces. Vaclav Klaus with a classic touch of bitterness in his voice, when he complained to all the other parties that ODS never considered anybody else, so that it never even thought it necessary to speak about it publicly. Gradually, OH [Civic Movement], ODA [Civic Democratic Alliance], and KDU-CSL [Christian Democratic Union-Czechoslovak People's Party] joined them, when they wanted to pinpoint those who had a real chance of entering the postelection chess game in the Czech Republic. There is no doubt that at the very least Klaus' party was not that united in considering its decision to support Vaclav Havel, but in the end its purely pragmatic chairman obviously had the last word and convinced his lambs that the substantive matters will be decided below the Castle anyway, in the ministries of interior and finance, so that the less important ones can be comfortably left to the Castle, no matter who occupies it. And in that case, Vaclav Havel is certainly the most acceptable. Even in spite of his reservations about the screening law or his weakness for foreign policy as interpreted by Klaus' rival Jiri Dienstbier.

But in conceiving his April speech Vaclav Havel realized clearly that what matters most this time are the Slovak ears. While then a Czech or Moravian viewer came away from the television set a little disappointed, because he actually got

just one basic piece of information, namely, that Havel agreed to be a candidate (about which nobody had any doubt in the first place), the Slovak viewer certainly realized that the president's words were directed mainly at him.

If we take the slogan "No more fog" as the basis of Havel's preelection speech, we must unfortunately submit that this slogan was to go into effect only after the president's last word was heard. Because otherwise it is beyond me how the listeners were to understand his statement—indeed a reasonable conclusion—that the Slovaks no longer want to and will not live in the Czechs' shadow, which he immediately followed by the statement that notions about the dissolution of the state from above and its subsequent new loose union are confused and highly irresponsible toward the citizens. And the president continued to fog the issues. About the necessary continuation of the transformation, about the need to come to terms with the tainted past, about honoring national sentiments....

I cannot help it, but to my mind it is precisely this way of befogging the issue which by and large justifies the Slovak politicians in taking exception to the president's speech.

I am convinced that not even the representatives of the current Slovak opposition parties have anything against a functional common state, that they have no objections to a speedy conclusion of the economic reform, and that neither do they want the proponents of Slovak sovereignty to turn into a gang of aggressive soccer fans. The problem is, they had enough of being told by somebody in Prague, no matter whether by the Castle, the ministry of finance, interior, or the federal government, where the dividing line is between an authentic federation and unitary federalism, between an unbearable shock therapy and a reasonable social-market economy, between a sincere longing for national identity and nationalist fanaticism.

The Slovak opposition parties simply want to ask the citizens in the elections where this line lies, not some wise man in Prague. I am afraid that so far Vaclav Havel has not appreciated this fact enough. That is why until now he only got approval for his candidacy from KDH [Christian Democratic Movement] and ODU [Civic Democratic Union], in other words, those Slovak parties which are hopelessly losing voters' favor precisely because they do not ask them about Slovakia's needs, but ask their Prague protectors instead. For two years now the proposition has been nurtured among the Czechs by all and any means that this is precisely that condemnable Meciarist populism. Obviously even Vaclav Havel succumbed to this propaganda when he failed to understand that it is above all a generally apposite picture of the majority opinion and needs of the Slovak nation.

Carnogursky on 1945 Liberation Anniversary

LD1005090492 Bratislava Rozhlasova Stanica
Slovensko Network in Slovak 1600 GMT 8 May 92

[Interview with Slovak Prime Minister Jan Carnogursky by correspondent Lintner; place and date not given—live or recorded]

[Excerpts] [Lintner] Mr. Prime Minister, our interview takes place on the day when we recall the 47th anniversary of our republic's liberation from fascism. Nevertheless, the feelings brought about by this date are conflicting—on one hand it is the liberation by the Soviet Union, and on the other hand it resulted in over four decades of devastation caused by the ideology of the former Soviet imperialism. What is your view on this?

[Carnogursky] First, I would like to point out that history brings not only advantages but also disadvantages, history being usually a combination of advantages and disadvantages. The anniversary of the liberation and end of the war is such an anniversary. Nevertheless, on the occasion of this anniversary I also keep recalling what chances were then wasted in Slovakia. [passage omitted]

[Lintner] How should we then assess Victory Day taking into account the historic experience you mentioned?

[Carnogursky] Victory Day means the defeat of fascism and as such it deserves to be celebrated. Everything that has followed is the subject of personal experiences as well as personal tragedies and the subject of historians' study.

[Lintner] The liberation by the Red Army almost 50 years ago was in fact the end of the existence of a certain phase of the Slovak statehood. [passage omitted]

Many people associate the Slovak state with fear, for them it has become the symbol of violence, injustice, and clericalism. Nevertheless, there are also citizens who perceive this period as a positive one. What is your view on this, Mr. Prime Minister?

[Carnogursky] Last week you asked me in fact a similar question concerning the period of socialism. Then I said that I held in esteem those people who then simply created positive values which have been preserved; those people deserve to be respected. Thus the people who created positive values in the period of the Slovak state also deserve to be respected. Nevertheless, I do not feel entitled to carry out a detailed analysis of either the period of socialism or the period of the Slovak state. I perceive them as historic phases—one closer to us and the other further away in our past, in our history. I prefer to leave this task to recollections of those people who lived then and to historians' study as well as possibly to polemics and arguments perhaps also by politicians. I concentrate on working for the benefit of the present, and let us hope also the future, Slovakia. Work for the benefit of the present and future Slovakia is linked to the Slovak state of 1939-45 neither from the legal point of view nor from historic point of view; nevertheless, we can learn a lesson from it. [passage omitted]

[Lintner] As early as 1990 you spoke in one of your essays about six Slovak disproportions. They included: relations with the Hungarians, heavy industry, power engineering, isolation from abroad, and our own disunity. Mr. Prime Minister, after two years' time, has there been any change in your perception of the aforementioned disproportions, or are there any new ones?

[Carnogursky] The six ones I listed are quite serious and quite deep to suffice without adding new ones. I think that

we have made steps, or at least small steps towards overcoming many of them. Hungary, Poland, and Czechoslovakia are forming a constellation of three states and four people. Cooperation between these three states is progressing quite successfully. The only exception is perhaps our dispute over Gabčíkovo, but we are trying to localize this dispute. But it is indeed only a Gabčíkovo dispute.

As far as our Hungarian fellow citizens are concerned, then we are naturally holding a dialogue—in the government, in parliament, or on other levels alike—about the present position of our Hungarian fellow citizens or what their position should be like. Quite substantial sums have been allocated in the state budget to support ethnic education and ethnic culture. By the way, I proposed talks between Slovak Republic and Hungarian Republic representatives about the Slovak minority position in Hungary and the Hungarian minority here in Slovakia. I presented this proposal also at a citizens' public meeting in Dunajská Streda back in March. The Hungarian side has so far not responded to this proposal, but the Slovak government is prepared to hold these talks and to improve minorities' position beyond the framework of international agreements which are observed in our country.

As for heavy industry, our enterprises are including in their production program new productions, very often in license with foreign companies such as Lombardini engines in Martin. The Slovak government recently underwrote a loan to introduce a new production program in Dubnica nad Vahom. It will manufacture highly efficient oil rigs. But one could mention other enterprises, too.

A conception until the year 2005 was approved in power engineering. The construction of the Mochovce nuclear power plant is continuing. In this respect we are cooperating with foreign firms. The construction of the Gabčíkovo hydropower plant also continues. Measures to carry out regular annual inspection of the safety of the Jaslovské Bohunice nuclear power plant have been drafted. Moreover, at the last government session, when we dealt with the Jaslovské Bohunice nuclear power plant, the government commissioned, as an alternative, a program for the building of a steam and gas cycle, which could make it possible for us in the future to cut down on nuclear power or possibly even eliminate it altogether. But in the meantime this is music of the future.

Foreign awareness of Slovakia has risen exceptionally over the past two years. There is interest abroad in direct contacts with Slovakia. Just by the way, what they appreciate about Slovakia is that our internal problems, may they be within Slovakia itself or within the Federation, are addressed constitutionally, through negotiations, and in a peaceful and democratic manner. It is only your question whether we have made headway in eliminating our own disunity, which makes me feel uneasy, for there is nothing specific I could tell you—that we made a headway even on this disproportion, too.

[Lintner] Mr. Prime Minister, let us stop now with the topical events this week. How do you view the parliament's attitude to the report on the fulfilment of the program

statement of the government? The resolution was approved by more than half of the deputies present at that time, but if we realize that there were only 46 deputies present it does not show any great willingness to adopt a viewpoint to the activity of the government.

[Carnogursky] It does not show any excessive presence of deputies in the parliament. It is one of the problems of Slovak constitutionality, if you want—Slovak statehood, that the political and work efficiency of the Slovak National Council has dropped. Fewer deputies attend sessions, often one has to summon deputies to safeguard the decision-making ability of the Slovak National Council.

[Lintner] Today's meeting, in fact, closes the cycle of conversations which for over a year we have been broadcasting under the title "Ten Minutes With the Prime Minister." The rest of the Fridays fall under the election campaign by law and the minutes of these conversations can be assessed as advantages of one political grouping because you are also chairman of the Christian Democratic Movement. So now I am taking advantage to ask you about the difference of the period before the election in 1990 and now.

[Carnogursky] We are wiser than we were two years ago. We are wiser because we are aware of things now in greater detail, in a more matter of fact way and in greater depth. We have become acquainted with the difficulties with which we are meeting, perhaps, we are also better acquainted with ourselves. We also know ourselves better as a result of the fact of how parties and movements fell apart which, at that time, two years ago, stood at the elections and were elected to parliaments, but, at the same time, we are also wiser because we know better how to overcome problems with which we are meeting and, from this point of view, I am optimistic for the future. [passage omitted]

ODS Deputy Chairman Looks at Election Prospects

92CH0542A Prague RESPEKT in Czech 22 Apr 92 p 7

[Interview with Josef Zieleniec, deputy chairman of the Civic Democratic Party, by Vladimir Mlynar; place and date not given: "A Conflict With Us Means a Threat to the State"]

[Text] [Mlynar] At the last congress of the ODS [Civic Democratic Party] in Plzen, it was said that your party requires 24 million korunas [Kcs] per year. Where do you get so much from and how will you finance the election campaign?

[Zieleniec] There are many rumors in circulation as to how much money the ODS has and who is financing it. The truth is that our sources of financing are similar to those of the other parties. When Civic Forum broke up, we received several millions of korunas which the movement had obtained for election purposes. The ODS does not have many employees and this money is sufficient for us for the time being. We are also receiving contributions from individuals and, naturally, also from party members. Moreover, someone will, for example, lend us a fax machine or a Xerox machine, will broker services for us, etc. The ODS does receive some assistance from abroad, but it is, for the most

part, substantive or consultative assistance, but not financial aid. We do not have any economic facilities and we oppose the financing of political parties by the state.

I do not know exactly what our election campaign will cost us, but it will not be more than Kcs20-30 million. We shall be acquiring the money within the framework of the possibilities outlined in the law. We shall also make use of bank credits on the basis of the anticipated election results.

[Mlynar] According to the election law, a voter can make use of preferential votes. The candidates of your party have allegedly pledged that, in the event the candidate list were to contain the name of some important member of the party leadership, they will give up their mandate as delegates in his favor....

[Zieleniec] No, nothing like that is true. The selection of candidates for the parliamentary election was not handled as democratically as was the case with us, and without any kind of incursion from the center, by any other political party. Everyone, including Vaclav Klaus, had to be elected by a local gathering, then by the regional congress, and, finally, by the kraj evaluation round, involving the okreses of a single kraj, where the sequence on the list of candidates is determined. The Executive Council only has the right to intervene regarding the sequence on the list of candidates.

Allies and Adversaries

[Mlynar] How does your program differ from that of the other Czech rightist parties, specifically from the program of the Club of Nonaligned Activists [KAN] and from the Civic Democratic Alliance [ODA]?

[Zieleniec] Today, there are forces facing each other who wish to restore one or another form of socialism, and forces which are asserting the democratic transformation of society. The agreement among the rightist forces to form a coalition or at least to conduct a joint campaign is, thus, very important and can be of historic significance.

The KAN is a party which places emphasis on coming to terms with the past and this also dominates its program. The ODS does not neglect this aspect, but places the main emphasis on a positive change in society and the economy. Vaclav Klaus frequently compares this to an automobile with a rearview mirror. The view to the rear is important so that the automobile can be safely controlled, but the view ahead is most important. The rearview mirror cannot obscure the view ahead. The difference between the ODS and the KAN is in the proportion in the size of the windshield and of the rearview mirror.

Another example is the ODA. I believe that it has essentially the same program as the ODS. That is why we also have the same circle of voters. Paradoxically, it is the biggest problem in negotiating regarding a coalition. It would be best if we were able to come to agreement. We are trying, but there is the well-known problem of the personalities on both sides. In the long run, I think that it is untenable to have two parties in existence with the identical program. Even if no agreement were to be reached by the time the elections are held, we shall propose to the ODA that we proceed jointly in the election campaign.

[Mlynar] Which parties and movements in our political scene do you consider to be possible preelection and post-election partners? With whom is collaboration out of the question?

[Zieleniec] We have formed a coalition with the KDS [Christian Democratic Party] and we shall cooperate with the ODA and the KAN. I believe that we need not, in all aspects, conduct a campaign against the CSL [Czechoslovak People's Party]. In Slovakia, we have close ties with the Democratic Party and with the Hungarian Civic Party. Cooperation is also possible with the VPN [Public Against Violence Party] and possibly also with that portion of the KDH [Christian Democratic Movement] which is represented by Mr. Carnogursky. The specific election programs of the individual parties will be what will matter. Coalition or any kind of cooperation is out of the question with the left, of which we also consider the Civic Movement [OH] to be a part.

Quite another matter is postelection cooperation. In principle, this is possible with anyone other than the communists. What will matter here most is specific individuals. There are also parties which may not acquire any seats in parliament and which have high-quality personalities. Without regard to the election results, we shall collaborate with such people as V. Dlouhy, T. Jezek, J. Kalvoda, or perhaps presidential adviser Sasa Vondra.

Rather an Independent Bohemia Than a Socialist Federation

[Mlynar] Is your postelection collaboration with the HZDS [Movement for a Democratic Slovakia] realistic?

[Zieleniec] In terms of election program, there is a wide gap between the HZDS and the ODS. Of course, they are connected on the basis of a certain type of responsibility because they are the two strongest parties. The very fact that it is possible for the HZDS to win in Slovakia and for the ODS to possibly win in Bohemia still does not mean that we should throw a bomb at the republic. We shall negotiate with everyone who will mean something in the political sense. This is why the ODS also put in an appearance in Slovakia. We have thus far not negotiated with the HZDS, but if there are going to be any kind of negotiations after the elections, they will be led by the ODS program for our part, a program from which we shall not deviate. We are a party of principles which does not maneuver solely for the purposes of acquiring power.

[Mlynar] During the election campaign, it is possible that polarization into a left and a right bloc could occur. Would such a method suit you or are you more in favor of a consenting model of any future collaboration between the right and left bloc, much like was the case in Germany regarding the CDU [Christian Democratic Union] and the SPD [Social Democratic Party] coalition?

[Zieleniec] I must repeat again that this depends on the specific party programs which are thus far not known. We are a party which is functioning within the government and so it is perhaps clear that we are capable of a sensible compromise. In view of our strength, a confrontational conflict represents a threat to the future of the state. That is

why, after the elections, we shall go to the limit in the negotiations regarding the formation of a government which is still acceptable to our citizens and our voters.

However, at the federal level, there is the danger that the left, thanks to a substantial victory in Slovakia, will be capable of forming a federal government by itself. If we were confronted by the choice of permitting the return of socialism or partitioning the state, the ODS is determined to insist on the immediate proclamation of a referendum in the Czech Republic regarding the continued existence of the federation. Personally, however, I do not consider such a development to be terribly likely.

Foreign Policy, Restitution, and Debolshevization

[Mlynar] What changes would you make, for example, in foreign policy in the event your party were to be victorious in the elections?

[Zieleniec] We consider the present foreign policy doctrine to be inappropriate and unsuitable and, therefore, we would undertake certain changes in that respect. We would unequivocally orient ourselves toward exclusive integration with the Western world—economically, politically, and militarily. We would not place so much emphasis on postcommunist groupings, the so-called central European troika, or the hexagon theory. We would cease placing Czechoslovakia in the position of being a bridge between the East and the West.

This does not mean that we will be opposed to good relationships with our neighbors. But the notion that prior to "entering Europe" we would have to integrate with Poland and Hungary is wrong, in our opinion. It brings about a status under which we would be integrating our weaknesses and would be expected to enter Europe only after all of us have eliminated them. This concept has delayed our being accepted as a member of West European civilization with full rights and, we believe, it is an erroneous concept. A similarly irresponsible step was the Czechoslovak proposal for the simultaneous eradication of the Warsaw Pact and of NATO. In the eyes of the West, we have become unreliable as future allies. The fact that the acquisition of security guarantees or membership in NATO is, at present, so far removed, is to a considerable extent, the result of our ambiguous policy with regard to the West.

[Mlynar] How do you regard restitution and the so-called debolshevization?

[Zieleniec] We definitely do not wish to go back with restitution to a time prior to 1948. As far as the so-called debolshevization is concerned, you will not find this word in any of the program documents of the ODS. Our party has already proposed the across-the-board publication of the names of employees and agents of the former StB [State Security] and we would also hue to this, provided we shall acquire a decisive majority in the future parliament.

[Mlynar] You would not undertake any additional steps other than across-the-board publication of names?

[Zieleniec] The party has no official view regarding this question. However, as well as I know the ODS, I believe that

we would not go further. This has to do with that about which I already spoke: We want to look ahead.

[Mlynar] We must clearly anticipate that revenues to the state budget will decline next year and, at the same time, there will be growing pressure for state expenditures. It is possible that there can even be a budget deficit. How would the ODS solve such a situation?

[Zieleniec] The ODS prefers low taxes and, at the same time, minimum state expenditures. We shall attempt to limit expenditures for state administration to the maximum extent possible and to eliminate subsidies. Of course, we shall also do all we can to see to it that revenue for the state budget does not decline; in other words, to see to it that enterprises are capable of paying taxes.

In this respect, privatization will play a big role. It will create the resources which should help maintain a balanced state budget until the end of the year. Beginning in 1993, we will have a new tax system, which is currently used in Western countries. The value-added tax [VAT] will clarify the entire process of collecting taxes and will make it possible to collect far more revenue than the existing system of sales taxes. After a certain time, the revenues to the state should, therefore, rise, even given today's level of production.

[Mlynar] The delegates of the ODS are among the key critics of the work performed by the Legislative Council of the federal government. However, your party contains only very few lawyers. In the event of an election victory, you would clearly have a certain shortage of capable legislators. How do you intend to deal with this?

[Zieleniec] Yes, there truly are not any lawyers in the ODS who have the experience of already having written three socialist constitutions. However, I reject the claim that we lack capable lawyers. The ODS not only has such people as Mr. Toman, Mr. Houska, or Minister Novak; we have other lawyers: for example, Messrs. Stomy, Kovar, Sedivy, or Mrs. Marvanova. They can always compete with Mr. Rychetsky.

The Past Is Not a Qualification

[Mlynar] In conclusion, a personal question. In the circles of your political adversaries, you have a reputation of being the man who fragmented Civic Forum because you dislike former dissidents. What do you think of people who were involved in Charter 77?

[Zieleniec] Civic Forum would have broken up even without me; if, however, I contributed to that breakup, then I did a good piece of work. Civic Forum had its historical mission, but prolonged its existence beyond the time necessary for the creation of democracy. It became the refuge of people who did not wish to have their positions subject to control from below.

It is not true that I dislike dissidents. I had and have a number of friends among them and a number of them are also active within the ODS. There is, however, one problem: What is the significance for today and for tomorrow in the fact that someone was a dissident? I am convinced that

society cannot function if the selection for people to administer the state is handled in anything but a democratic manner. I reject the proposition that the legitimacy of holding a certain office be based only on the fact that someone was in open opposition to communism. A number of people who were successful dissidents and did much for this country lack the qualifications for the positive building of the state. To be in opposition to totalitarianism requires strong moral integrity, bravery, but also a gravitation toward resistance and destruction, albeit of bad things. In addition to morality, the building of the state calls for more or less clerical inclinations, as well as the ability to deal with people, both of which characteristics are boring to me and entail other views.

Last, but not least, there is one more matter here. Dissent was based on the solidarity of the powerless. Without that, it would have been destroyed by the Communists very rapidly. Solidarity in state administration, however, leads on the direct path to favoritism and cronyism and is, therefore, unacceptable to me. Life in the opposition led to the notion that it is possible to unite people even if they have contradictory views, as long as they are democrats. However, this only functions as long as there is a totalitarian adversary. If we transpose this to conditions of freedom, it can lead to the choking of democracy.

Arms Production Conversion Problems Examined

92CH0535B Prague *EKONOM* in Czech
23 Apr 92 pp 19-20

[Article by Eng. Jan Vrablik and Eng. Marie Koceva:
"The Conversion of Arms Production"—first paragraph is
EKONOM introduction]

[Text] The conversion of arms production is an extremely sensitive topic for the CSFR, from the economic, social, as well as the political standpoints. Moreover, this is contributed to by the circumstance that the current status and the prospects of Czechoslovak arms production are normally presented in some communications media with a lack of adequate objectivity and frequently with emotionally tuned viewpoints which do not take reality into account.

The boom in Czechoslovak arms production culminated in 1987 when the volume of production amounted to 29 billion korunas [Kcs]. Some 70 percent of the production of Czechoslovak armaments plants was exported in the 1980's, including 60 percent exported to the countries of the former Warsaw Pact, with the remainder then going primarily to Third World countries (which were frequently insolvent and the materials were sold on credit which frequently remains unrecoverable to this day). During those years, Czechoslovakia was ranked in seventh place with respect to the world export of weapons. (For comparison purposes, during the period of the First Republic, the Czechoslovakia of that day was in third place in terms of weapons exports.)

Approximately 60 percent of the armaments production was concentrated in Slovakia and 40 percent in the Czech Republic. Weapons were produced in more than 100 enterprises and their production directly employed 73,000

employees and, according to some estimates, another minimum 60,000-80,000 persons were employed in arms production. The greatest concentration of arms production occurred in the region of central Slovakia, which employed 32.6 percent of the total number of armaments workers, other concentration areas were in southern Moravia (23 percent) and in the region of Prague (17.4 percent). Within the regions, there was also local concentration of production, for example, in the area of Martin, Dubnica, and Povazska Bystrica, Detva and Snina, but also at Bojkovice, Slavcin, Uhersky Brod, Kromeriz, Prerov, Adamov, Policka, Pardubice, Blatna, and Prague.

The Decline in Demand for Weapons

As a result of the lessening of international tensions and the development of the military-political situation during the second half of the 1980's, there ensued a general decline in the demand for weapons. This manifested itself by a constantly greater decline of interest even in the delivery of weapons from Czechoslovak production and, beginning in 1988, resulted in an express decline in armaments production, which resulted in the necessity to initiate the realization of conversion. In May 1989, the government of the then Czechoslovak Socialist Republic was dealing with the situation in armaments production and adopted a resolution on the effective utilization of freed-up capacities of special equipment and in September 1989, it adopted a resolution on slowing down and halting the production of tanks.

In the post-November period, developments in the world armaments trade and the possibilities of asserting Czechoslovak products in these markets, together with some other circumstances, even resulted in notions calling for the further reduction in the Czechoslovak production of armaments and led to the conclusion that Czechoslovak armaments production should not exceed Kcs4 billion in 1992 (in 1989 prices).

This meant reducing production from a maximum level of Kcs29 billion by 87 percent, while simultaneously replacing the shortfalls through civilian sales-assured production. This extent and pace of conversion,¹ which, seen on the world scale, was unique, is being implemented in the CSFR in parallel with a number of unfavorable factors. There is a general decline in the opportunities to sell even civilian products, under conditions of economic recession, a number of enterprises are insolvent, are enormously debt-ridden, are struggling with a shortage of capital resources, enterprise management is not always adequately prepared to make rapid and effective structural changes, there even exists a certain specific "preprivatization conduct" on the part of some enterprises, etc.

Measures To Support Conversion

In this situation, the government of the CSFR repeatedly dealt with the conversion of armaments production and adopted a whole series of additional resolutions aimed at solving its problems. Support for conversion was embarked upon in 1989 and 1990 by subsidizing the enterprise sphere where the largest armaments enterprises were given Kcs685 million through their superior ministries (1989) and Kcs1.2 billion (1990). These subsidies by the center undoubtedly

contributed to a certain economic stabilization in armaments enterprises, but because they were made available without specifying any concrete utilization, it was not possible to adequately document the purposes to which they were put.

Consequently, on the basis of Government Resolution No. 326, it was decided in 1991 that further resources by the center would be made available for special purposes such as the purchase of unusable inventory and unutilizable capital assets and for selected conversion projects. A working group from the Federal Ministry of Economics selected a total of 121 projects from projects submitted by 30 June 1991 for individual subsidy actions amounting to up to Kcs50 million, for which subsidies of Kcs1.049 billion² were paid, and four projects for subsidy activities in excess of Kcs50 million (two projects at the Heavy Machinery Plant at Martin—construction machinery and diesel engines, a project at the Heavy Machinery Plant at Dubnica—mobile machines, and a project ongoing at the PPS [Podpoliany Machine Tools] at Detva, involving axles), which received total subsidies of Kcs453 million.

Proceeds for sold inventory are expected to be around Kcs1 billion and proceeds from the sales of unutilizable basic assets are estimated to be Kcs400 million, that is to say, a total of Kcs1.4 billion. By realizing these various projects, it is anticipated that approximately 30,000 jobs will be created, that is to say, about 40-50 percent of the anticipated decline in the number of employees in discontinued Czechoslovak armaments production, which is anticipated to amount to a total of 58,000 jobs (including 38,000 in the Slovak Republic and 20,000 in the Czech Republic). The discontinued armaments production is being also reflected in the supplier organizations, which could influence the employment of another 60,000-80,000 workers.

For the successful mastery of the process of conversion as a specific structural change, it is therefore essential to integrate the approach taken by enterprises, by regions, and by the state. In this, a significant role is also to be played by the appropriate trade union associations.

Fundamental Problems To Be Solved

The main problems of the process of conversion are showing up particularly in the following areas, according to existing research findings:

- The inadequate reflection of the overall defense requirement in the medium term in specific armaments programs and in time and substantive demands made upon the Czechoslovak armaments industry. Together with the consequences of a restrictive financial policy, this could result in the gradual disintegration of military production which could lead to unbearable economic and technical claims in the future to safeguard the defense capabilities of the state accompanied by the renewal of this kind of production or by the necessity to assure the availability of weapons which are no longer being produced through imports. (The purchase of all armaments equipment abroad is economically absolutely

unacceptable.) Problems involved with the preservation of capacities which are essential to the assurance of defense capability and the restructuring and modernization of the army could show up even in the form of the disintegration of research and development teams which frequently include key scientists and specialists.

- Complications involving the export of weapons resulting from the frequently unclear activities of the majority of the number of organizations authorized to engage in this type of export, given the current absence of a law on trading in armaments. It is, therefore, essential that adoption of a law on armaments production and trade involving this production be speeded up, a law that would prevent sizable national economic losses and the frequent damaging of the reputation of the CSFR abroad. The export of selected types of armaments production, particularly Czechoslovak small arms, where our production has long years of tradition and a generally recognized quality and technical level, should continue to be authorized to politically acceptable territories, as should the export, for example, of training aircraft, radar systems, engineer equipment, antichemical equipment, and rear services equipment, or even other products, wherever armaments enterprises can find a solvent customer. Such exports currently assist in the formation of resources for the conversion of armaments production, even for imports of those types of armaments equipment not produced by Czechoslovak industry. (Permission to export heavy weapons systems such as aircraft, tanks, rockets, combat infantry vehicles, armored personnel carriers, and substantial quantities of ammunition or weapons will, according to a decision by the government of the CSFR on 24 March of this year, be subject to decision by the Council for Defense of the State.)
- Requirements involved in the initiation of demand by the center, particularly with regard to the infrastructure of transportation and communications, ecology, and health services, which could to a considerable extent compensate for the shortfalls of armaments production.
- The inadequate solution of regional and social problems involved in conversion, particularly the creation of new jobs and the retraining of workers dismissed from armaments production, the resolution of questions of unemployment and social problems in the area having higher concentrations of armaments production. The integrated solution of these problems in the region, including all-around support for the introduction of new civilian production, should become a permanent task of cooperation on the level of "enterprises—labor offices—local offices and representations." (For the present, this is more the exception in regions such as Pardubice, Policka, Blatna, etc.) This method should be used to purposefully avoid even further negative consequences resulting from unemployment. The creation of "scientific-technical parks" could become an important aid in the solution

of regional problems in the form of innovative technological centers for small and medium-size business activities and for the processing of regional developmental programs aimed particularly at supporting the development of new jobs.

- The need for economic assistance to selected promising armaments enterprises while realizing conversion projects, in solving problems of indebtedness in cases where the state has an interest in continuing armaments production, etc.

Large-Scale Privatization and Armaments Production

Large-scale privatization is a specific problem for armaments production. In every case, the state should assert its interest here in so-called preserved capacities essential to the defense of the state, which should continue to remain under state ownership, much as is the case in the majority of countries abroad (in Italy, for example, it involves 80 percent of the capacities, in France and Great Britain more than 50 percent).

In the broader circuit of enterprise management, there are, for the present, no clear notions regarding the share of the state in stock corporations coming into being from armaments production enterprises which would define the interests of the state in the continuation of these enterprises (at a minimum, at least through so-called golden securities). More generally, not even the prerequisites for a possible participation by foreign capital in the armaments industry are known, as are the conditions for creating joint ventures involving foreign partners, etc. Tying in the conversion projects to the privatization projects is not discernible with respect to a number of enterprises; for example, it is not clear in all cases what the conversion project's fate will be when the enterprise is broken up into smaller units, in the event of competitive privatization projects, the interests of the state can end up being completely overlooked, etc. The quality of privatization projects should, according to the current notions of the center, be the fundamental criterion for affording support to enterprises in 1992. Some foreign organizations which are establishing contacts with Czechoslovak manufacturers while processing privatization projects do not always appear to be sufficiently serious (in a number of cases, it is more a case of acquiring one-sided information regarding Czechoslovak armaments production).

Based on the analysis of findings from countries which are also undergoing the process of converting armaments industry (which is nowhere as extensive and occurring at such a pace as it is in Czechoslovakia), it would seem that it is purposeful to create various councils, commissions, consultations, and information centers, etc., to solve the problem of conversion at various levels.

Will a Pragmatic Approach Prevail?

In more recent times, a more realistic approach is beginning to be applied in Czechoslovakia in the area of armaments production and its exports. Similarly, even the CSCE seminar on conversion, which was held in February of this year in Bratislava, found that there was a prevailing European

pragmatism with regard to questions of armaments production and its export. The deputy prime minister and the federal minister of economics, V. Dlouhy, stated comprehensively at the conference in Martin on 10 February of this year that weapons represent a specific type of goods which are traded by anyone, including those who criticize us the most.

The process of converting armaments production is an important part of the structural changes within the Czechoslovak economy. Within the course of this conversion, a number of economic, defense, technical, social, and political problems arise. Their clarification and their overcoming can also be contributed to by a broadly based specialized discussion.

Footnotes

1. For example, Sweden is counting on reducing armaments production by approximately 5 percent over 20 years; Germany, according to information provided by the Endowment for Science and Policy, by approximately 19 percent by 1995; according to study materials provided by the Danish University at Lyngby, the United States is planning to reduce armaments production by 10 percent, etc.

2. Of these, it is possible to list projects of small-scale agricultural mechanization, small single-track vehicles, and ecological facilities at the Povah Engineering Plants at Povazska Bystrica, hunting and sports weapons manufactured at the CZ Plant at Uhersky Brod, antiblocking systems for cargo trucks and personal automobiles at the Meopta Plant at Prerov, a new generation of starter motors at the Pal Magnetron Plant at Kromeriz, health care equipment manufactured at Mikrotechna at Modrany and at the Tesla Plant at Blatna, regulator drives produced at the Electric Power Research Institute at Dubnica, axles and transmissions produced at the Heavy Machine Tool Enterprise at Hrinova, automobile parking systems produced in the Vihorlat Plant at Snina, ecological engineering projects ongoing at the Engineering College at Kosice, at the Stavostroj Plant in Nove Mesto, at the Slovak Engineering Plant at Uhersky Brod, at the Kovohute Plant at Trencin, etc.

Criticism of Aspects of Wage Regulation

92CH0535C Prague *EKONOM in Czech*
23 Apr 92 p 26

[Article by Milan Plachky: "Regulation, Yes, but What Kind? A Macroeconomic Look at Wage Regulation"—first paragraph is *EKONOM* introduction]

[Text] There are not many government measures which would encounter such disagreement as the decree on the regulational tax for exceeding wage and other personal expenditures in 1992. Not only do the trade unions take a negative position—and such a position is, overall, understandable as far as they are concerned—but also the Association for Industry as well as private business people are taking such a position. It is clearly not happenstance. Nevertheless, the government is insisting on its position.

Various forms of wage and price regulation in a market economy represent the most extreme means applied primarily when there are fears that the self-regulating function of the market will be inadequate. From this standpoint, the government decree can appear to be a paradox; the main representatives of government policy definitely do not indicate that they lack confidence in the market forces. Moreover, wage regulation, in contrast to price regulation, is considerably more unpopular and its assertion prior to the elections can appear to be a gamble involving voter preferences.

On the other hand, it turns out that, in the course of the transformation process, the economy is extraordinarily vulnerable and there is, therefore, no wonder that the current leadership is looking for instruments which would make it possible to minimize the threatening danger.

Perhaps all economists will agree that, at the present time, it is not possible to eliminate all regulation. On the contrary, it would seem that in conjunction with the unexpectedly high budget deficit of last year it will be necessary to more likely tighten regulation in a certain direction. Therefore, the question arises as to which area should be specifically concentrated upon.

Opportunities for Macroeconomic Regulation

In the area of prices, the majority of the population would undoubtedly welcome a certain tightening of regulation. It would be possible to justify such a measure by citing the still constantly high monopolization of our production and trade and by citing the weak foreign competition. But price regulation undermines the allocation function of prices and, thus, makes it impossible to assert a rational criterion for the distribution of resources; therefore, this is not the way.

The regulation of interest rates, particularly to the extent to which it limits inefficient activities, can be relatively effective. At the present time, however, it is not particularly selective. The increase in its effectivity is undoubtedly connected with an increase in the quality of the activities of commercial banks which, for the present, are lagging behind the standards of the market economy.

Budgetary regulation, for the time being, is contributing perhaps the most to maintaining a balance. In and of itself, however, it can by far not solve everything, particularly because it acts predominantly in a restrictive manner, something which can have negative consequences.

There remains wage regulation, which exerts a direct influence upon the producer costs and exerts indirect influence upon demand for consumer items. It can, thus, attenuate both in cost inflation and also demand inflation and can thus prevent the development of the inflationary spiral.

Alternatives of Economic Policy

In conjunction with the danger of inflation, which is supposed to be prevented by the erection of an effective barrier in the form of wage control, we must become aware of what we are striving for and what we actually want. (If we want everything, we risk that, in the final analysis, we will achieve nothing.) If we believe that orientation toward a growth in efficiency is decisive for us, then we must consider inflation

to be the main danger; inflation which, particularly with regard to the hitherto deformed price relationships, violates the possibility for making reliable economic calculations. Without reliable economic calculation, any rational decisionmaking regarding the allocation of resources is impossible. Only an efficient economy can result in the long-term growth of the standard of living.

However, if we are to place social security and the growth of the consumer level in first place (particularly in the short term), inflation will not appear to be as threatening and the main danger will be considered to be a rise in unemployment and a decline in real wages.

If the first variation will be the clear priority of economic policy, then measures will be adopted to safeguard the economic balance, even at the price of the temporary attenuation of the level of economic activity. In the second case, it is more likely that a policy of expansion will predominate and that the resulting level of inflation will be considered as the appropriate price to be paid for a lower measure of unemployment.

However, the success of the expansionist policy depends on how the supply situation will respond to the inflationary impulse, which is always somewhat risky. Existing experiences indicate that our enterprise sphere, despite all declarations to the contrary, does not conduct itself like a normal market entity: It frequently attempts to assert approaches which had proven themselves under a centrally controlled economy or possibly such approaches which facilitate short-term survival at the expense of the future. Thus, the real danger of stagflation arises—an inflationary spiral without a corresponding growth in supply (not to speak of any growth in efficiency).

Pitfalls of the Adopted Form of Regulation

Under such circumstances, it is no wonder that the regulatory effort is oriented toward that point which is most sensitive for the producer—wage and other personnel expenditures. However, this in no way indicates that this represents either the form or method of regulating these costs.

Wage regulation is most effective when it involves the overall volume of wages in conjunction with the volume of goods actually sold. Such regulation is implemented by an effectively functioning market. Supplementing such regulation by administrative methods is not all that well possible: In its consequences, it leads either to price control or to inflation.

As is known, the adopted system of wage regulation was aimed at average wages. However, such a solution can definitely not be considered to be fortuitous. The growth of average wages over and above the stipulated limits is subject to taxation, without regard as to how the enterprise is working and also without regard to the starting level of the wages involved. The possibility for rectifying wage disproportions and the opportunity to appropriately reward highly rational conduct is considerably reduced. An enterprise which would produce only goods which are in demand and would consistently adapt the number of employees to the

extent of its production would be significantly disadvantaged. On the other hand, an enterprise employing surplus workers can successfully dilute the wage average, which is a method our management employees of former times knew how to perfect and still master with sovereignty.

It cannot be anticipated that the government is not aware of the above-listed facts. It is possible here only to conjecture regarding the reasons which led it to adopt this method of wage control despite these facts. Primarily, it could have been the function of the fact that a similar method was already applied last year and that it is impossible to claim that it failed outright. Furthermore, there could have been an influence of the effort to preserve the current level of employment. However, that would be somewhat shortsighted. Formal employment acts upon the economy as well as on the morale in a more destructive manner than open unemployment: It is not just a matter of a decline in productivity, but also of the habit to work only at half-speed, without the necessary expenditure of effort.

Defects in the current mode of wage regulation could at least be mitigated, for example, by the method which would tie the volume of wage costs to the volume of realized production or outputs reduced by the index of prices. This method would definitely be more effective and would not only act in an anti-inflationary manner, but would even stimulate a growth in efficiency.

It is true that the proposed regulation would perhaps be administratively more demanding than the existing method, but then again it would not be so much more demanding as to make it impossible. And it is also definitely not possible to count on its long-term effect. The gradual prevalence of market elements in the economy will render it superfluous. Until such times, however, it is necessary to apply a system which would minimize the defects of regulation. The system proclaimed by the government is definitely not it.

Recovery May Come Sooner, Bank Director Says

*AU2105141692 Prague LIDOVE NOVINY
in Czech 15 May 92 p 6*

[Interview with Jiri Pospisil, director of the Monetary Policy Department of the Czechoslovak State Bank, by Ivo Polisensky; place and date not given: "Stability Is the Fundamental Thing"]

[Text] The achievement of macroeconomic stability in the economy is an undisputable success of the Czechoslovak economic transformation. We asked Jiri Pospisil, director of the Czechoslovak State Bank's Monetary Policy Department, about the development of monetary factors in the first quarter of this year.

[Pospisil] The inflation rate is indisputably one of the positive factors. After its "revival" at the end of last year, we saw its setback once again. The inflation rate was 1.0 percent in January, 0.5 percent in February, and 0.4 percent in March. The development of the balance of payments is also positive. According to preliminary data, the current account of the balance of payments ended with a surplus of \$300 million in the first quarter. This is a better than expected result. As a consequence of export dynamism, the

trade balance of payments also shows a surplus of more than \$100 million. Income from transportation and tourism rose. The capital account, too, shows positive results. The foreign currency reserves of the Czechoslovak State Bank rose substantially. They were worth 2 billion dollars by the end of April, against 1.3 billion dollars at the end of 1991. The trend is thus very positive, and it confirms and ensures our goal that we set out for this year—to maintain the koruna exchange rate at a stable level.

[Polisensky] Are you afraid that the positive monetary development will jeopardize the deficit budgetary economy of the state?

[Pospisil] In the consequence of the introduction of a reasonable regulatory system, the economy of the state budgets, too, is developing favorably so far. However, this sphere is not without problems. In general, during the month, the budgets' summary shows a deficit, and only by the end of the month is there a surplus—9.7 billion korunas at the end of March, and 2.3 billion korunas at the end of April.

[Polisensky] What about the growth of wages?

[Pospisil] In the Czechoslovak State Bank, we see the wage development as a risk factor. Nominal monetary income has increased 25.8 percent in the first two months of this year (against the same period last year), and real income increased 6 percent. I am speaking about the results that do not reflect the fact that the agreement on wage regulation for this year has not been concluded as yet. At that time [when agreement was discussed] we supposed that there will be wage regulation. It is not so certain today, and pressure to abolish this regulation is great. This is what we are worried about, since an appropriate wage development is an important condition for maintaining current stability.

[Polisensky] The critics of reform are describing wage regulation as a nonsystemic and nonmarket measure....

[Pospisil] According to the experience of international institutions—the IMF, for instance—the application of wage regulation is justifiable in certain situations. In our country, wage regulation is justifiable due to fundamental changes introduced in ownership. In the case of private ownership, the orientation of a company toward long-term results is clear. In our opinion, it would be desirable to maintain wage regulation until the end of 1992 at least.

[Polisensky] The Czechoslovak State Bank has lowered the discount rate recently and abolished interest restrictions for commercial banks. What was the banks' reaction?

[Pospisil] Of course, the banks did react. Each bank announces its system of interest rates. They differ according to the situation in each bank. Generally, we can say that one-year term deposits bear about 9 percent interest. As far as the interest rate on lending is concerned, practically all the large banks lowered their basic interest rates to between 12 and 13 percent for short-term loans. Medium and long-term interest rates are higher, since demand for medium and long-term loans is higher and sources are limited. The interest on treasury bills declined, too. By the end of February the interest was 12 to 13 percent. At the last

auction, it declined to 7 percent. Rates at the refinancing credit [refinancni uver] market dropped, too. They are between 9.5 to 10 percent.

[Polisensky] How does IMF evaluate our country?

[Pospisil] Two weeks ago, the Czechoslovak State Bank governor participated in an IMF meeting. The IMF primarily appreciates the fact that we succeeded in stabilizing inflation and reached good results in the balance of payments. We have a stable exchange rate, and the reserves of foreign currency are growing. The IMF also positively appreciates the results of the transformation of ownership that is under way. Small privatization is bringing its results even now—higher quality and more diversified supply, stimuli for the revival of production, and new investments.

[Polisensky] What kind of monetary development do you anticipate until the end of this year?

[Pospisil] The inflation development basically corresponds to our assumptions. Exports, too, are better than originally anticipated. The influx of foreign investments continues. For this year, we planned the volume of \$600 million of foreign investments. As early as in the first quarter, the volume of direct investments reached more than \$230 million and is likely to exceed 1 billion dollars for the year. At the time being, we are attractive for foreign capital, and this attractiveness is still growing. It is important that retail turnover is recovering, which is probably due to small privatization. Savings by organizations are growing. According to a Federal Statistical Office analysis—on which we closely collaborated—it seems that in the second quarter, domestic demand, as well as demand abroad, will rise. We are expecting a certain revival in investments. It follows from the said data that the recovery of the economy, which we expected by the end of this year, may take place sooner.

Wolekova on Slovak Social, Economic Situation

92CH0539A Prague LIDOVE NOVINY in Czech
25 Apr 92 p 3

[Interview with Helena Wolekova, Slovak minister of labor and social affairs, by Stefan Hrib; place and date not given: "The Minister of Labor and Social Affairs of the Slovak Republic, Helena Wolekova, for LIDOVE NOVINY: No Disaster in Slovakia"]

[Text] [Hrib] Some time ago, Mr. Meciar mentioned that the greatest problem in Slovakia was hunger and poverty. In an interview with the BBC, V. Havel described such statements as an insult to people in developing countries who live in genuine poverty. What is your opinion?

[Wolekova] It is true that the standard of living in our country has dropped; however, no one is justified in talking about hunger. Also, frequently, the situation is portrayed as being worse in Slovakia than in Bohemia-Moravia. However, this is certainly not supported by the analysis of average wages in the CR [Czech Republic] and SR [Slovak Republic]; the differences are minimal. In fact, social security for the unemployed was higher in Slovakia because it is

possible to receive compensation and unemployment benefits concurrently. These facts as well as the adjustment of incomes show that there is no justification for talking about a disaster in Slovakia.

[Hrib] Is the future social situation in Slovakia connected with the future constitutional organization of our state?

[Wolekova] Of course. According to the government's data on the consequences of a separation of the states, which were submitted to the SNR [Slovak National Council], it is clear that the expenditures of the Slovak state budget will necessarily increase temporarily (and no one knows for how long!). At the same time, however, it is unclear as to how it will increase its income. This could cause social risks and dangers.

[Hrib] In the government you represent social policies but simultaneously you are the leader of the right-wing ODU [Civic Democratic Union]. How do right-wing politics and left-wing social policies mix?

[Wolekova] All parties, including right-wing ones, must have social policies. In my governmental function, I frequently hear the criticism that state resources in the form of social benefits are being spent on people who do not deserve them. In this case, as a representative of the right wing, I have to agree with the critics. All right-wing parties consider that basic social justice is equal opportunities for everyone. So far, in this country, we have not used this principle, rather we try to patch up holes that appeared in the old system. The two roles mentioned put me in a kind of schizophrenic situation but, on the other hand, I find satisfaction in the fact that, in regard to the concept and the first legislative steps, we have already made significant progress toward creating a new system.

[Hrib] What do you believe the future of the Czech and Slovak Federal Republic and its citizens will be like?

[Wolekova] In its election program, the ODU promises the citizens that it should not take long to attain a normally functioning society, as long as there is support for a common state and quick economic reform. This is also a prerequisite for raising the standard of living. The year 1995 could be the watershed after which transformation and stabilization will be replaced by a stage of true development.

Release of Data on Private Entrepreneurs

AU2105134692 Prague HOSPODARSKE NOVINY
in Czech 18 May 92 p 1

[Unattributed report based on Czech Statistical Office data in the HOSPODARSKE NOVINY "Chart" column: "Private Entrepreneurs"]

[Text] At the end of the first quarter this year, there were 1,099,252 private entrepreneurs registered in the Czech Republic and running business according to the Small Business Law. Their number rose only slightly this year, 3.8 percent, but compared to December 1990, their number grew 2.4 times. According to the territorial breakdown, the largest number of private entrepreneurs is reported in

Prague: 224,530 people. Could it be true that every fourth or fifth Prague citizen—including grandmothers and babies—is running a business?

Private entrepreneurs according to territorial breakdown: Prague 20.4 percent, Central Bohemia 10.8 percent, South Bohemia 6.2 percent, West Bohemia 8.3 percent, North Bohemia 11.1 percent, East Bohemia 12.3 percent, South Moravia 17.3 percent, and North Moravia 13.5 percent.

NEZES Economist Discusses His New Book

92CH0522A Bratislava SLOVENSKY NAROD
in Slovak 14 Apr 92 pp 1, 5

[Interview with Marian Tkac, Slovak Republic deputy minister of finance, by Peter Valo; place and date not given: "We Shall Not Become Wealthy Without Our Own State"—first paragraph is SLOVENSKY NAROD introduction]

[Text] Marian Tkac has often been entangled in controversies, nevertheless he now holds the position of deputy minister of finance of the Slovak Republic. His unequivocal pronationalistic stand is wont to cause hostility. Same as the other representatives of the Independent Association of Slovak Economists [NEZES], he sees future prospects for Slovakia in the building of its own economy. He clearly indicated what the roots of his thinking are in his book *Narod bez penazi* [A Nation Without Money], which was published by the Bradlo publishing house. He analyses the reasons for Slovak poverty from historical times to the present, but also suggests some possibilities of becoming wealthy, and the conditions under which it could be accomplished.

"I wrote this book with the idea that Slovakia never has and is not now costing anybody money," Marian Tkac told me. "Slovakia has been and is living off the proceeds of its own labors. I offer Slovaks two choices: The first is to live in constant fear of a lack of ability and money, the second is to realize that they know how to take care of themselves, but then, of course, they have to act accordingly."

[Valo] The raising of national consciousness often becomes the target of harsh attacks by proponents of the unitary state. How did they react to your book?

[Tkac] So far nobody spoke about it with rancor. Nobody even denied the idea that a nation which does not have a state does not have money either. On the contrary, they showed interest in the book.

[Valo] Where and when will there be money in Slovakia?

[Tkac] Money comes, first and foremost, from the sovereign exercise of one's own will. In his radio discussion with Hykisch, Kusy said that sovereignty is merely a magic little word. It might be that only as long as we do not know what will come after sovereignty. The truth is that we know very well what should follow. In February, a group of economists published a list of alternatives for future development. Slovakia is as if made to pursue an easy money policy instead of a tight money policy. By that I mean a policy of cheap money for investments but not for consumption. If we were to make money cheaper in order to buy Western chewing gum, our currency would be a manifestation of a

weak economy. If we have cheap money for investments, we shall create job opportunities, people would make things, build highways, and at the same time consume, and that puts things on a different level.

[Valo] But where shall we get the money?

[Tkac] We can bring it in from abroad, or we can take care of it at home. At home, we can print either fiat money or money backed by our work. Then there is the penetration of foreign capital into our market. From our taxpayer's point of view, it is quite immaterial whether taxes will be paid into our budget by a foreign or a domestic business. He generally does not care who gives him a job. The important thing is that money flows to the state budget. In that respect there is no need to be afraid of foreign capital. It is a different matter when it comes to firms which promote imported laundry soaps. They do not provide work, at the most a few jobs in packaging, and they drain money away from us. That is the impact of companies that want to buy up our market of milk products, beer, etc....

[Valo] Some, mostly pro-Prague, experts assert that foreign money does not come to us because the situation here is unstable.

[Tkac] I can agree with that, but the unstable situation in Slovakia will last until the matter of the state setup is settled once and for all. The sooner we take the necessary measures, the better for us. The most serious reason why foreign capital does not come here is because they have been hiding Slovakia from the world to this day. And when they do let the world see us, they paint us as a country of intolerant people, nationalists, anti-Semites.... That is because somebody else is always speaking on our behalf. The sooner we ourselves let the world look at us, the sooner the world learns directly from us what we have, how we live, and what we are like, the better for us. I am convinced that the Slovak Republic will negotiate with foreign institutions on its own, that it will be interested in membership in the International Monetary Fund as well as in the agencies of the World Bank. I can imagine that the conditions, which the Slovak representatives will negotiate, will be better for us than the present ones. We shall not strive to achieve at any cost a surplus in the state budget, which in the end will end up with a huge deficit anyway. In 1991, we wanted to have a surplus of 700 million Czechoslovak korunas [Kcs] in Slovakia, but had a deficit of 10.2 billion.

[Valo] What happened to that money?

[Tkac] It simply was never made by the enterprises. The federal restrictive policy also held back entrepreneurial activities, resources were not created, enterprises began to fail and found themselves at the brink of collapse. They are bankrupt. The greatest problem is that there is nothing behind that 10.2-million deficit. If at least 10 kilometers of expressways had been built, there would still have been a deficit, but it would have been paid by what the expressways would earn. The same would have been true of a newly built telephone network, rapid railways, or airport. We must pursue a policy that would enable us to manage our economy even with a deficit.

[Valo] How do they do it in the Czech lands?

[Tkac] They build the Czech and federal budget on treasury bonds, in other words, on a short-term debt. By the end of March they collected about Kcs10 billion through these bonds. We, with our restrictive policy, are praising ourselves for having a budget surplus, whereas the Czechs are financing part of their own economic revival through the treasury bonds.

[Valo] Is not in all of this an intention to liquidate Slovak economy from the inside?

[Tkac] I would not say that.

[Valo] Can you rule it out?

[Tkac] I consider it to be more a matter of incompetence, caused by an absence of a macroeconomic viewpoint. We behave like a typical Slovak who will simply not take out a loan. He will rather stash his money under the mattress. During that time, his neighbor takes out a loan. Buys some cows. Milks the cows. Sells the milk and is slowly getting rich. Our man has his money under the mattress. There is a fire, and all of a sudden he has nothing.

[Valo] There are fears that Prague could buy up all Slovak properties through the coupon privatization. Or, in other words, that it could occupy Slovakia economically.

[Tkac] If enterprises with headquarters in Prague were to get their hands on Slovak properties through the coupon privatization, they would certainly make decisions about them. They could either resell them, or operate them and draw money out of them. Whatever would be more to their advantage. But if we make certain that taxes go where the enterprise is located, then it will not matter. Just like Volkswagen owning the entire BAZ [Bratislava Auto Plant]. A foreign company creates job opportunities for Slovaks, pays taxes here....

[Valo] Could not Czech ownership in Slovakia prevent independence?

[Tkac] Whatever number of properties the Czechs may buy in Slovakia, the Slovaks can buy approximately the same in the Czech lands, so that in case Slovakia becomes independent some of the Czech properties will be in Slovak hands. I believe that civilized, sui juris [legally constituted] states will reach an agreement on how to deal with it. Otherwise, entrepreneurs will function the same way as foreign companies on our territory do now. Slovakia will make some agreements with the Czech Republic so that the Czech market would be open to us and vice versa. But that would apply equally to other countries as well. We shall not give one thought to impermeable borders. Slovakia must incorporate itself into a world without borders, it must only decide what it will do on its own territory. For that, of course, it will have to have instruments in its own hands, such as taxes, custom duties, budget outlays, interest rates, and monetary policy.

[Valo] Every time independence is mentioned, the pro-Prague politicians begin to scare us with the assertion that the world will not recognize us. As if they did not see that the world is gradually recognizing all newly emerging

national states that showed the will to decide about their future existence without their present guardians.

[Tkac] In Maastricht members of the European Community recently agreed on a certain approach toward states which want to become independent. The conditions are: democratic development, peaceful means, possibilities for the nations to express their will, observing the rights of minorities. They will judge our move to independence in the light of adherence to these conditions. Nobody can have any doubt that we are peace loving. As far as policy on minorities is concerned, we make so bold as say that we are the best in the world. There is nothing to prevent us from meeting these conditions. According to Article 142, the federal constitution will be valid in Slovakia until the constitution of the Slovak Republic is adopted. The federal constitution says that Slovakia is a sovereign state. If the Slovak National Council endorses it, it will not break even one of the 148 articles of the constitution now in force.

[Valo] In case that sovereignty is declared (not only as a political declaration), the federal establishment could not afford to engage in such obvious highway robberies as they are attempting in Transpetrol. A political declaration does not mean much.

[Tkac] If the parliament approves a political declaration, it can also approve a political declaration in the case of Transpetrol. That would carry some weight.

[Valo] Do you think that the government coalition unequivocally serves the federation?

[Tkac] The coalition is not unanimous. Rather, it is lazy in the sense that it always has somebody to blame, and the federal establishment will always throw something its way in the end. The pay of the federal and the republic ministers is the same. The republic ministers do have some responsibilities, but they have practically no authority. Why should they want more responsibility and authority if it is not reflected in their status?

[Valo] At one time the Slovak koruna meant something in the world. It was even considered to be a hard currency. What can be done to restore it to that status?

[Tkac] First, the Slovak koruna would have to come to exist. Its convertibility will depend on the convertibility of products. We shall have good tender when we manufacture good products, offer quality services, when we produce what we can sell. A successful owner of an enterprise never makes unsaleable goods, and therefore we will inevitably have to bring privatization to completion. We must make use of what nature has given us, and we cannot rely only on smokestack economy. Why should there be polluted environment around the High Tatras, when we can offer world-class services there? The states of the former East Bloc and the disintegrating Soviet Union will be searching for routes and contacts with West Europe. Let us provide them. These will be railways, highways, airports, banks, hotels. First, however, we will have to change the character of the economic policy from restitution to development, reduce tax assessments for entrepreneurs, even if it seemingly causes a deficit. But the deficit will soon be transformed into

investments. No way can we allow an inflationary monetary policy. But that will be a matter for the Slovak central bank.

[Valo] If we understand the present attitude of Prague and the federal government toward Slovakia and its sovereignty, then it is clear to us that the steps toward prosperity, which Marian Tkac talked about, will be possible only when the Slovak government and parliament free themselves from the socialist yoke that is the Constitution of the Czechoslovak Socialist Republic. Then the author of the book *A Nation Without Money* can write its sequel, *How the Nation Became Wealthy*.

Environmental Pollution Penalty Changes Discussed

92CH0535D Prague EKONOM in Czech
23 Apr 92 p 40

[Article by Alena Adamkova: "It (Already) Pays To Behave Ecologically—Changes in the System of Payments and Penalties for Polluting the Environment"—first paragraph is EKONOM introduction]

[Text] The ecological conduct of enterprises can be positively stimulated, not only by drawing attention to the greatest "sinners," but also by suitably chosen economic instruments, for example, by taxes or a well-thought-out system of fees and sanctions. Previously, these instruments were more symbolic in nature, fees and fines were extremely low; moreover, their payment could be variously circumvented and, thus, it did not pay to behave ecologically. Following the approval of new laws having to do with the environment, however, the situation has become substantially changed.

As of January of this year, the assessment of fees and fines in the Czech Republic is the responsibility of the Czech Inspectorate of the Environment, together with okres offices, an entity which came into being by combining the Czech Technical Inspectorate of Atmospheric Protection, the Czech Water Management Inspectorate, and the Forestry Inspectorate. The organization is headed by Eng. Michael Barchanek. With his assistance, we have attempted to compile information on changes in the system of fees and fines imposed for polluting the environment which have come about in recent times or in connection with the amendment of some older laws and decrees which are under preparation.

One of the most substantial changes is the significant increase in authority for the Czech Inspectorate for the Environment (CIZP) which has four sections today—water protection, atmospheric protection, forestry protection, and waste management. Previously, it could only propose fines, whereas the imposition of fines was within the jurisdiction of the national committees; today, it can not only impose them by itself, but, in some cases, it can even collect them and in justified cases it may also issue production restriction or production halting orders. The fees go to the environmental fund. Fines, to the extent to which they are assessed by the CIZP, are allocated 50 percent to the fund and 50 percent to the communities in whose cadastral areas the prosecuted enterprise is located. If the okres office assesses

a fine, the entire fine passes to the community treasury. Because the jurisdictions in each of the sections are, for the time being, different, we shall treat each one separately here.

Water Protection

The size of fees and fines is governed by Federal Assembly Law No. 138/1973 Sb. on waterways, by Czech National Council Law No. 130/1974 Sb. on state administration in water management and by its amendment No. 23/1992 Sb., and by Government Decree No. 35/1979 Sb. on fees and any subsequent modifications of that regulation. The fees are set by enterprises in the watershed on the basis of an agreement with the enterprises, with the guidelines for setting fees being the five indicators of water quality—the biological consumption of oxygen, the content of insoluble, petroleum, and dissolved inorganic salts, and the obvious alkalinity or acidity of the water. Each enterprise is required to make a certain deposit and the fees are then subjected to final accounting as a result of the actual water quality found in the watershed. For the most part, the fee is not any higher than the cost of purifying the water so that the enterprises would be stimulated to establish wastewater purification plants. The amendment of the resolution on fees, which is under preparation, again proposes to increase rates and to valorize them regularly each year. The number of directional indicators is also expected to rise. In the course of the year, the collection of fees is supposed to pass to the CIZP. Last year, in the Czech Republic, some 1.5 billion korunas [Kcs] in fees was collected.

As of this year, fines in water management are set in accordance with the new emission limits for releasing substances which are set for each enterprise in the form of an administrative decision by the okres office or by the CIZP. Where these limits are exceeded, a fine is payable. This fine is assessed both for unpermitted drawing off of water, unpermitted release of water, contamination of water by other than waste materials (particularly petroleum), and for violating public water supply systems or sewer systems. According to the amendment of Law No. 23/1992 Sb., the minimum fine is increased to Kcs5,000 (for violating a small-diameter water supply line) and rises to a maximum of Kcs3 million (for repeated violation of the obligations of the company). Even so, the fines which are collected each year are substantially lower than the sums acquired on the basis of fees. Now, a change in the emission limits is being prepared so that they would better reflect the realistic status in the enterprises involved (they are more likely to be lowered) as well as various relief measures for those who decide to construct water purification facilities. However, the amendment of the decree on fees is very likely not to be approved until the end of the year.

Atmospheric Protection

The CIZP is governed by Federal Assembly Law No. 309/1991 Sb. on the atmosphere and by Czech National Council

Law No. 389/1991 Sb. on the state administration of atmospheric protection and on fees for atmospheric contamination. In contrast to the water management situation, fees here are set by administrative decision, issued by the CIZP which also collects fees and fines for contaminating the atmosphere. The CIZP decides on the size of the fees with respect to large sources, the okres offices decide on fees regarding medium-size sources. Relief measures apply to those who decide to behave ecologically. If, for example, enterprises start building devices to lower emissions, 40 percent of the fees payable are deferred during construction time to a later period, and then, this supplemental fee can be waived. Of the assessed annual fees, enterprises are required to pay only 30 percent in the next year; in 1994-95, they will be expected to pay 60 percent, and in 1996, 80 percent, and as of 1997, a total of 100 percent. Even this is supposed to stimulate enterprises to erect facilities designed to lower gaseous emissions.

Fines are supposed to be governed by the adherence to emission limits which, however, have not yet been established for sources of large, medium, and new contamination. If someone exceeds the stipulated limits, his fees are to be increased by 50 percent.

Forestry Protection

This is governed by Czech National Council Law No. 282/1991 Sb. on the CIZP and its jurisdiction in protecting the forests, Decree No. 96/1977 Sb. on forest management and state administration of forest management, and Federal Assembly Decree No. 61/1977 Sb. on forests. For the present, fees are not collected. Fines are assessed in accordance with Czech National Council Law No. 282/1991 Sb. Problems are caused by the nonexistence of new laws and by jurisdictional disputes between the Czech Ministry of the Environment and by the Ministry of Agriculture.

Waste Management

Waste management is governed by Federal Assembly Law No. 238/1991 Sb. on waste and by Czech National Council Law No. 311/1991 Sb. on state administration in waste management, and by Czech National Council Law of 22 January 1992 on fees for depositing waste materials. Fees will be assessed by administrative decision. However, these have not yet been issued. This issuance will not occur until the end of 1992. In the meantime, documentation is being accumulated. Fees will be collected by okres finance offices. Fines will be assessed by the CIZP and by okres offices, starting at Kcs10,000 (an enterprise, for example, does not have a worked-out program for waste management) and ranging up to Kcs10 million (for example, the unpermitted transportation of dangerous waste materials). Even here, relief measures are being considered for those who will conduct themselves ecologically. In other words, it will definitely pay off.

Lobbying, Conflict-of-Interest Rules Condemned

92CH0548A Budapest HETI VILAGGAZDASAG
in Hungarian 18 Apr 92 p 72

[Article by Peter Hack, representative of the Alliance of Free Democrats: "Prohibit Lobbying!"]

[Text] "Hungary, mocked as Asia, served proof of its moral superiority over the Austrian parliament with this law." This is what Josef Schoffel wrote in 1902 concerning the Hungarian law regulating various cases of incompatibility as those applied to National Assembly representatives.

Representatives of the turn of the century proved their "moral advantage" by building a fortress made of strict incompatibility rules to protect the independence and political purity of representatives. From a practical standpoint these regulations ruled out the possibility of representatives profiting from their political positions. Such rules are still being enforced in the U.S. House of Representatives.

Former Hungarian rules, in force for almost half a century, listed nine cases of economic conflict of interest in addition to official incompatibility. Among other things, the law specified that National Assembly representatives must not be contractors or purveyors to the government, intermediaries in transactions between the government and others, owners or employees of firms having business relationships with the government, or owners or members of boards or executive committees of enterprises subsidized by the government.

Beyond strict economic conflict-of-interest rules the law made separate mention of the so-called incompatibility resulting from intervention, which prohibited representatives from intervening at the government for the benefit of business ventures unless requested by or in the interest of a representative's constituent.

The representatives who created the rules now in force exactly 90 years later were far more generous with themselves (and let us add here, with their fellow politicians active in local governmental bodies) than their predecessors. From a practical standpoint, today's regulations prescribe only official incompatibility rules for representatives; the law does not mention either economic conflict of interest or incompatibility from the standpoint of intervening, not even in the form of some "soft rules" like those contained in the German house rules, which prescribe that representatives must declare—and consequently publicize—their business interests.

Thus, representatives active as members of supervisory committees in state corporations during their free time, or "promoted" to become members of state enterprise boards of directors, reject persistent inquiries by the press with seemingly just outrage, claiming that no law prohibits them from pursuing business activities.

It is particularly difficult to justify the grandiose character of the rules at a time when legislative proposals submitted by the government make it clear that the role of state ownership in the Hungarian economy is going to continue to play an unchanged, decisive role. The government will continue to control the activities of a great number of

enterprises in the future, including some whose director or board member is a prestigious ruling party member of a National Assembly committee supposed to oversee the government's business activities. The kind of mutual dependence this situation creates is not hard to imagine. Similarly, it does not take any particular malice to be suspicious about government-supported, independent proposals submitted by representatives, which define the legal framework of an enterprise on the board of which the proponent happens to sit.

Wherever such intertwining of economic and political power has occurred, the resultant conditions have been so repulsive that they have created serious political tension even amid already established conditions of a market economy. For this reason it would be indispensable from the standpoint of both "politics" and the "economy" to build dividing walls while the initial steps of economic transformation are being taken.

The lobbying system, the political dependence of the economy, and subjecting political decisions to individual economic interests are contrary to the principle of free competition, and can be settled only in the framework of a comprehensive conflict of interest law. One should save what can be saved until such a law is created, and new rules for representatives' economic conflicts of interest should be drawn up. As a first step, incompatibility should be declared with respect to offices held in businesses where the state's capital is involved, so as to enable today's representatives to prove their "moral superiority" at least as compared to the masters of the previous system, if not in comparison with other parliaments.

Agreement on 1992 Interest Rates Not Expected

92CH0533A Budapest TOZSDE KURIR in Hungarian
2 Apr 92 pp 1-2

[Interview with Sandor Czirjak, a Hungarian National Bank vice president, by Karoly Bognar; place and date not given: "No Agreement To Be Reached This Year"—first paragraph is TOZSDE KURIR introduction]

[Text] For a long time it seemed that at the beginning of this year an interest agreement, similar to that of last October, would be made between the Ministry of Finance, the central bank, and the commercial banks. But the interested parties signed no document after all, and their (verbal) agreement was confined to a single issue, namely, that they will leave it up to the market to set the interest rates. Despite this, we paid a visit to Sandor Czirjak, and, in the lack of a new agreement, we asked him to evaluate the earlier one because it, too, contains things to comment on....

[Czirjak] The October agreement between the Ministry of Finance, the Hungarian National Bank [MNB], and the Bank Alliance Council had two fundamental elements. One of them was that the structure's liquidity surplus had to be withdrawn in order to keep inflation under control. Since the reserve ratio was very high in Hungary, it could not be significantly increased, for that would have driven up the credit interest rates even higher. Thus, we struck a compromise: We increased the reserve ratio by 1 percent instead of

3, and the banks bought 20 billion forints' worth of state bonds. This also solved the problem of financing the extra budget deficit.

The other, not any less important, element was the projected decrease in interest rates. Quite frankly, although it was foreseeable, the banks did not really believe (and some still do not believe) that inflation would be slowed down. Indeed, the central bank emphatically called attention to that as early as the second half of last year. Most of last year's higher prices resulted from the price increases between November 1990 and February 1991. During this time producer prices increased by approximately 24 percent, and consumer prices by 16 percent. On the other hand, the statistical measurement used in Hungary monitors the monthly average price increases over the previous year. And, in case there is a bigger "jump," the price increases stay high even though the rate of increase can slow down afterward, for the higher base rate is at work until this "hump" catches up with itself and leaves the base rate. No matter what the team of experts, set up in accordance with last year's agreement, said about the projected rate of inflation, the banks were monitoring this average. Perhaps not accidentally. For decreasing inflation will reveal numerous problems that high inflation covers up. Another reason why the necessary decrease in interest rates was not implemented is that the banks are in diverse liquidity positions. As a result, they do not need the various resources at the same level of urgency. If only one of them begins lowering the interest rates, it will, in the short term, lose part of its resources. And, even if the other banks follow suit, by then it can go under. Thus, lowering the interest rates safely works only when it is done together and at the same time.

[Bognar] Last fall, when bank representatives sat down together, one could think that finally a joint concept of lowering interest rates was in the making.

[Czirjak] Indeed. But, as I have mentioned, they did not believe that inflation would really slow down.

[Bognar] I do not think this is only a matter of belief, for even the banks employ qualified experts.

[Czirjak] Yes, but increasing inflation was already embedded in everyone's nerves; there is hardly any instance of decreasing inflation in Hungary's history. Even the not entirely successful East European environment also suggested that this was impossible. And then, there is our huge budget deficit, on which the general opinion is that it also accelerates inflation. This was true indeed as long as the population's net savings did not cover the corporate demand for credit. But now we are facing an entirely different situation: Private savings have multiplied to an unbelievable degree, while the net corporate demand for credit has dramatically declined. The reason for this is that, on the one hand, they do not spend for development and that, on the other, foreign capital is pouring in to them. Thus, the excessive budget deficit had hardly any short-term effect on inflation. Neither the private nor the corporate sphere believed that inflation would decline and, thus, individual actions taken to lower the interest rates were not very promising.

[Bognar] Could not an agreement have been made to lower the interest rates at the same time and in a uniform manner?

[Czirjak] That could have been done in a well-oiled banking system with great traditions. Not in Hungary. Even earlier, our commercial banks strived to agree among themselves on interest rates, but hardly anything tangible came of that. There will be no agreement whatsoever this year, but a decrease in the interest rates is very probable nonetheless. There are many more people today who believe that inflation will slow down this year to a significant degree. Incidentally, figures also corroborate this: Consumer price increases amounted to 6 percent during the first two months this year as opposed to 13 percent during the same period last year. Producer prices increased by less than 11 percent during the last 12 months! In addition, our banking system's great problem today is that it has abundant resources but is unable to lend out the money. The law on financial institutions also plays a role in this, for the financial institutions must now scrutinize much more carefully to whom and for what purpose they lend money. It has become a fundamental interest of the commercial banks to buy risk-free state bonds, thereby improving their lending structure. The reduction of interest rates in conjunction with the movement of the rate of inflation became one of this year's key issues, for the economy reached a position of catch-22. Because of the aforementioned high positive real interest rates, everyone wants to place his money in the banking sector. Consequently, few people undertake any direct investment. But one cannot develop only with credit; borrowing can only be a supplementary source. Thus, one reason for the need to lower interest rates is to have capital start moving toward investment—and, for that matter, to be able to provide credit. I hope that the commercial banks, too, will slowly begin recognizing these connections, and will establish their business policies accordingly.

MNB Official: Internal Convertibility Exists

92CH0531A Budapest TOZSDE KURIR in Hungarian
2 Apr 92 pp 1, 4

[Article by Zsuzsa Kaposy on statement by Frigyes Harsh-egy, a Hungarian National Bank vice president: "Internal Convertibility Already Exists"—first paragraph is TOZSDE KURIR introduction]

[Text] A liberalized foreign exchange management is needed for making our national currency convertible. The introduction of a few new elements in the interbank foreign exchange market may be considered a milestone in the process of liberalizing foreign exchange, which will take several years. For beginning in June, the liberalization will cover not only the forward foreign exchange transactions between commercial banks that have a foreign exchange license but also their immediate foreign exchange transactions. In the aftermath of the conference held on this subject with the participation of the State Bank Superintendency, the commercial banks, and representatives of the central bank, Frigyes Harsh-egy, a Hungarian National Bank [MNB] vice president, summarized the changes:

"To put some restraint on overzealous expectations, I must say that there is nothing new from the aspect of obtaining or

having a supply of foreign exchange. For, in the present system, business participants (i.e., those who intend to import or sell abroad) can obtain foreign exchange anytime they want to. Thus, the forint's internal convertibility does already exist! Any business may buy foreign currency up to 250,000 forints (this is equivalent to 5,000 [deutsche] marks) for their acquisitions abroad. We will provide them with even a larger amount—also for forints—if they submit their invoice and payment authorization to a commercial bank. This also applies, albeit with some limitations, to the so-called incidental commodity expenses of those who intend to participate in professional conferences (they may purchase foreign exchange up to a specified percentage of their export and/or import turnover during the previous year).

"In January we also introduced an unlimited liberalization in the area of private travel, and even a trip around the world can now be booked for forints at Hungarian travel agencies. Despite this freedom, both in group and individual travel, there are some limitations in obtaining cash: travelers may purchase foreign currency up to the value of 350 dollars. At present, one can own foreign currency up to the value of 5,000 forints without questions asked, and this amount may be taken out of the country for each trip without a permit. It is prohibited to keep foreign currency in excess of this amount at home but, since September 1989, one can do so in a foreign exchange account. This way complete control over one's foreign exchange account is assured.

"Thus, in looking at the possibilities from the aspect of distribution, I think the most important thing is that citizens, whether they want to import or travel, may now obtain, basically without any limitations, foreign exchange through the banks.

"During the two years of foreign exchange decentralization, several banks were issued foreign exchange licenses for making payments related to their foreign trade transactions, i.e., for their foreign exchange credit activity. Since December 1991, every financial institution has been able to decide on its own to obtain foreign credit, and they have only to report it to the central bank. (Businesses must obtain the MNB's permit to do this.)

"These two years that have passed since the beginning of foreign exchange decentralization mean decades in the liberalization of foreign exchange. Incidentally, the central bank is responsible not only for protecting the forint's constant value but also for seeing to it that enough foreign currency is available for the economy as well as for every citizen. This is why we operated the system of foreign exchange distribution, which was centrally controlled and was supervised by the MNB, and through which every commercial bank was able to obtain foreign exchange either by buying it from their exporters or by borrowing it; they could actually also request and get it automatically from the central bank. However, they had to sell this foreign exchange to their own customers, i.e., the banks' own foreign exchange assets had to be used for immediate sales. In the interest of having enough foreign exchange at the

central bank's disposal—and of protecting the regime—the MNB made the other banks sell their 'surplus' directly to it.

"The rate of exchange structure, which operates on the basis of the foreign currency basket theory, is another important part of the foreign exchange market. Since 9 December 1991, we have been allowing a plus/minus .25 percent—i.e., a half-percent—profit margin, and the banks must clear their accounts with their customers at this forint exchange rate. Although financial institutions were allowed even before to sign time-limit contracts among themselves, this kind of interbank market remained sporadic, to put it mildly.... In the spirit of further liberalization, it will also become possible for the banks to buy and sell foreign exchange among themselves during the course of immediate transactions. However, no real foreign exchange market will exist as long as the banks do not take advantage of the possibilities of time-limit and swap operations.

"For, by and large, the (two-way) daily commercial turnover of \$40-50 million just about balance each other. A real foreign exchange market will exist only if the banks begin to move among themselves not only the \$1.8 billion deposited by the population as savings and payment accounts, but also the company capital stocks, amounting to almost one billion dollars, 'waiting' to be invested. One of the new elements of the market that could facilitate this is to allow interbank spot buying and selling. Another one would be to allow financial institutions to sign among themselves contracts of buying and selling foreign exchange within the profit margin of half a percent of the forint's daily rate of exchange, also following its fluctuation during the day.

"To stabilize the rate of exchange, the central bank will intervene openly and without any limitation, both on the side of buying and on that of selling. For we think that it would be in no one's interest to allow a hectic fluctuation for the entire day. As long as the money market lacks enough participants who can move significant amounts (with modern technology) and thereby warrant the registration of a wider margin, we can maintain the stability of the exchange rate through this constant intervention that has been announced and simplified.

"Aside from the assurance of foreign exchange supply, nothing else can be expected at present. The path of the future will be, of course, that the central bank, leaving the foreign exchange supply up to the money market, will almost completely withdraw from this area, interfering with the processes only in very indirect ways. On the other hand, for the time being, it has the responsibility of, and is playing a leading role in, the money market's direct supervision and operation. In the interest of safe banking operations, the MNB will establish that the banks cannot have any open positions in excess of 20 percent of their guarantee capital at the end of the day. Deposits abroad are also limited so that foreign exchange will stay in the country as a basis for the central bank's reserves. Probably several years must pass before our foreign exchange structure becomes completely open."

Budapest Bank President Bokros Interviewed*92CH0547A Budapest HETI VILAGGAZDASAG
in Hungarian 18 Apr 92 pp 91-92*

[Interview with Lajos Bokros, Budapest Bank chairman and president, by Aniko Szanto; place and date not given: "Mischievous Kid"—first paragraph is HETI VILAGGAZDASAG introduction]

[Text] While state coffers are empty, Budapest Bank (BB) is creating a tax-exempt targeted reserve of 10 billion forints by using almost all of its profits earned in 1991. Additionally, Chairman Lajos Bokros allegedly said "no" to a government request to return to the State Treasury advance taxes due on the targeted reserve, and he was willing to loan only 2.4 billion forints to the budget and for three weeks only. Just prior to next Tuesday's general meeting, we discussed with Bokros the reasons for acting like a "daredevil."

[Szanto] Don't you think that sooner or later the government is going to become tired, to say the least, of your "puncturing-the-government" attitude at the head of a bank in which the state is the majority owner? Or are you so self-confident because you know that as the "we-told-you-so" banker, you are momentarily untouchable? In the course of decapitating the leadership of certain large state banks in the near future, you will serve as the point of reference: See, last year the state appointed an internationally recognized banking professional as chairman and president of the BB, irrespective of his MSZP [Hungarian Socialist Party] past.

[Bokros] I am not dependent on the chairman and president position of a state bank. I would not starve to death in the banking [job] market even if I were to leave this post as a result of being forced to act contrary to my professional and moral convictions. There are no signs like this thus far, however. Katalin Botos, previously the minister without portfolio for supervising banks and at present the head of the State Banking Supervision, never asked me to correct my activities in any regard. I also agreed with Tamas Szabo, the minister without portfolio in charge of banking privatization, that the accumulation of targeted reserves, as pursued by us, is the sole rational conduct also from the government's standpoint, the more so because large banks could not be sold in their present "form." It would be very hard to sell a financial institution whose combined assets and reserves amount to less than the amount of its questionable outplacements. On top, the latter will become "failed" receivables sooner or later when the bankruptcy law is enforced in practice, and the questionable receivables may also increase.

[Szanto] At the same time, the finance minister claims that certain banks have accumulated an excessive tax-exempt targeted reserve from last year's profit, because reserves to cover questionable receivables should have been established in the course of three years, in three equal installments. Your annual amount "due" would be only 7.7 billion forints. Mihaly Kupa also underscores the fact that half of the so-called inherited questionable receivables from before 1987 have been guaranteed by the government.

[Bokros] The difficulty is that conflicting interests appear not only among various interest groups; the state, too, has various interests. One could assert what I have confidence in, that in the end, every interest group prefers to represent its own, long-term ownership interests rather than short-term fiscal interests, but this will actually be revealed at next week's general meeting. With its ultraradical reserve accumulation, BB is preparing for the worst-case scenario. This bank must not go bankrupt, because I agreed to head up this bank with a mandate to raise the standards of the bank within three years to the level of international recognition. Traditionally, our bank is carrying the piles of debts created by the mining and the energy industries. All these loan agreements were consummated prior to 1987. We figured that we inherited a 10-billion-forint loss, even though the Finance Ministry estimated this loss at only 8.2 billion forints. Even that way, the fact that we received a state guarantee for one-third of the total volume of pre-1987 loans is a good result. Since then the bank has accumulated another 13 billion forints' worth of questionable receivables. Not a single penny of this is due to my actions. Last year we lent no money to questionable clients, and not even to clients rated as so-called third- or fourth-rate clients. Moreover, BB is going to establish a property management firm in the near future because the bank is able to get rid of its failed receivables only if it helps its clients to get back on their feet, for example, by involving this firm when a state enterprise is transferred under private ownership. I do not see much sense in a certain state practice pursued in the past system in which loans granted to clients were converted into banking stock. This could shatter the financial institution's solvency, and additionally would be of no help to clients because they need actual money.

[Szanto] Just as BB does....

[Bokros] Indeed. This is why I would like to see the beginning of [bank] privatization this year, by conducting an international audit of the bank's financial statement, for example—the first one in BB's history—and by privatizing only if the international auditors consider our reserves as sufficient for the secure operation of the bank. We could also designate a privatization advisory firm this year, and we could convene a special general meeting. In that case there would be a chance for one or more professional investors to increase the BB's founding capital by next spring at the latest, and this would not only amount to a capital injection for the bank, but would also mean deposits, new connections and technological development, and what is not of least significance: a strong leadership, which enforces professional considerations even more than that which is done today.

[Szanto] Are you dissatisfied with the present leadership of the BB?

[Bokros] That is not what I meant to say. We would need international "advice" while the present board is receptive to our proposals. For example, the board unanimously approved the idea of building large-scale reserves, even though two Finance Ministry officials and the deputy chairman of the State Property Agency's board of directors are members of the board. Similarly, the representative of

small shareholders manifested appropriate understanding by accepting our proposal to pay an 8-percent dividend.

[Szanto] Accordingly, Mihaly Kupa's outrage over efforts to minimize tax amounts was no coincidence. But why could not the Finance Ministry, the central bank, and the commercial banks reach an agreement concerning reduced interest rates and the purchase of state securities? This would coincide with your interests, too.

[Bokros] This has failed primarily because, despite semblances, the Finance Ministry is not momentarily interested in accomplishing this. They figured out that interest rates would fall even without such an agreement. They are probably correct in believing that later on they are going to be able to unload even lower-interest-paying state securities at the banks, because short of good quality outplacements we are going to be forced to purchase state securities on their terms. The central bank does not need a separate agreement on interest rates because it uses good foresight when it calculates that a relatively large volume of money consciously left in circulation by the central bank is going to depress the money market interest rates anyway. On top of all this, there is a certain qualitative difference even between the various banks insofar as foresight is concerned. Many continue to believe in their future ability to place out funds at a high price. But these enterprises should not be given credit, even if they paid any amount of money just to have credit, because these enterprises could go bankrupt the moment after they received credit. Accordingly, we will reduce interest rates in the future. But I refrain from mentioning the extent of reduction and the time of reduction because large banks lack funding sources. The one who takes the first step in cutting interest rates on deposits—this is the condition for reducing interest rates on loans—is going to run the risk of temporarily losing depositors. Incidentally, commercial banks could enter into an irrational "downward" competition in interest rates in which they could break their necks, just as they could compete "upward," and this could shake the faith in the banking system as a whole. This is why we really need an "agreement," the kind I have initiated last year too, and which, I believe, has not been removed from the agenda.

[Szanto] You have mentioned several times that, not unlike in the enterprise sector, big rearrangements will also take place in the Hungarian banking system. Banks could face financial difficulties, they could merge, they could be purchased. As a result of liberal banking rules, competition in Hungary is becoming increasingly keen by the hour, particularly at a time when the economy is stagnating and interest rates are falling. The one incapable of offsetting this with rational cost management could fail, and your bank does not even have a headquarters building. How does BB face all these challenges?

[Bokros] It is true, indeed, that we will be forced to build a new headquarters building, since unlike other banks BB did not receive a building free of charge from the state. We are paying a rental fee of 50 or 60 million forints annually for our present place of operations. A new headquarters building would cost more than 1 billion forints even if we did not build something like a Wonder Castle. The BB

enforces a very strict cost-management policy, we—and this includes the chairman and president, who are not used to buying luxury cars, nor do we fly first class all over the world; we are extremely thrifty even when buying paper and with telephone charges. Aside from the fact that this is in our own interest, I also believe that having this kind of attitude is our moral obligation.

Continued Use of Personal ID Numbers Discussed *92P20254A Budapest HETI VILAGGZDASAG* *in Hungarian 11 April 92 pp 92-93*

[Summary] On 9 April 1991 the Constitutional Court terminated previous rules governing personal identification numbers effective the end of 1991 and told parliament to provide new rules. On 21 December 1991 the National Assembly adopted temporary rules for the census. Nothing in that law discontinued the use of personal identification numbers; instead, more was said about the legitimate use of these numbers. Despite the court's view that the "state sphere" and the "state administration as a whole" could not be regarded as a unit from the standpoint of using personal identification numbers, the law authorized their use by the state administration as a whole, naming each government agency separately, including social security and the courts. Prior to the enactment of the law, the government has issued a statement of principle interpreting the court's decision, claiming that since the decision did not affect, for example, the tax laws and the law on criminal procedure, "the use of personal identification numbers on the basis of these laws is not illegal." Although in the course of parliamentary maneuvering the opposition achieved that the census law adopted in December 1991, and thus the authority to use personal identification numbers, would expire on 30 June 1992, the now-pending legislative proposal would extend the use of personal identification numbers, referred to as personal identification "marks," until 31 December 1995. This would allow sufficient time to convert various data bases, including tax and social security records.

The pending legislative proposal "concerning the recording of the personal data and addresses of citizens" provides for the establishment of personal identity on the basis of a passport and a drivers license. Authorities could seek further documentation only if a person's address was significant from the standpoint of determining his identity—for example, when voting—because neither passports nor drivers licenses contain the holders' addresses. A new identification card, so called, would be introduced in 1996 and issued even to handicapped people and children, contrary to present practice. The proposal also provides for replacing the present State Census Bureau with a National Personal Data and Address Recording Office under the supervision of the Ministry of the Interior, to be managed locally by municipal clerks and regionally by regional prefects. Four existing, in part overlapping, data bases would be abolished (vital records, census, personal ID, and address records).

A novel feature of the new super data bank will be a capacity to maintain records about Hungarian citizens residing abroad in order to "enable the state to assist persons desiring to exercise their rights in Hungary, and to ensure

that these persons are equal to those residing in Hungary," according to the legislative intent accompanying the proposal. This then suggests that the government is going to "conscribe" Hungarian citizens residing abroad after the law takes force. The government repeatedly stated that this would enable citizens residing abroad to cast votes in parliamentary elections.

Toxic Waste Remains Problem Despite Publicity

92CH0538A Budapest NEPSZABADSAG in Hungarian
17 Apr 92 p 7

[Article by Erika Kiss: "Collective Amnesia in Jaszbereny? Hazardous Waste Still in the Ground"]

[Text] Ever since parliamentary representative Dr. Zoltan Kis laid the facts before the public, the press brought news regularly on the environmental pollution of Jaszbereny's Lehel Refrigerator Factory [LRF]. Since 1990, NEPSZABADSAG has also published several reports on the events. But the mountains of hazardous waste are still waiting to be removed.

Now, at the request of Electrolux, the Swedish owner, a new plan has been worked out by Martech, an American firm. If everything goes well, the plan will be carried out soon. But the people living in the polluted area are hardly satisfied. Indeed, they are really angry now. They are looking for those responsible for the environmental damages, are demanding compensation, and are requesting that their wells be examined and cleaned. And the bill goes to the State Property Agency [AVU].

Seven Dump Sites

The things leading up to the events include the fact that, in 1990, in part because of political pressure, LRF mapped out the locations where it illegally deposited hazardous waste for approximately 20 years. This involves an area of about 10 to 12 square kilometers west of Jaszbereny, where seven such dumping areas have been identified. The Zagyva River, full of life, flows by the vicinity, in an environmentally protected area! An estimated 1,000 barrels containing paint sludge, solvents, and other hazardous byproducts were buried in the river's sandy bottom. Now they are beginning to uncover these. Following the privatization, the Swedes are planning to clean up the area in accordance with Western standards. They bought LRF with the stipulation that the AVU would foot the bill for repairing the environmental damages. Almost 50 million forints have already been spent so far for research and planning. Fifty-five hundred tons of galvanic sludge has been transported to Aszod.

Martech worked out a plan for cleaning up the soil at the illegal dump sites of Neszur and Oregerdo. The barrels of hazardous waste dug up from the sandy burial sites will also be transported to Aszod.

Although they have been complaining about the environmental pollution for 10 years, no one really listened to the

region's residents until now. True, a volunteer control committee had been set up to cooperate with the Swedish environmental experts, but its recommendations were largely ignored. But they have recently organized a residents' forum that was attended by a Martech representative, Swedish and Hungarian experts of LRF, the environmental authorities, a public health representative, a medical officer, Jasz-Nagykun-Szolnok County officials, numerous reporters, and the involved residents.

Drinking Water for Lack of Anything Better

Jaszbereny Mayor Dr. Levente Magyar reproached LRF's Hungarian executives because, in his opinion, they have not done everything they could to completely reveal all their "sins." According to those present, there should be bills of lading and receipts to show what was shipped, when, and where. But LRF executives are showing strange symptoms of collective amnesia. For it is not certain at all that these recently uncovered seven sites are the only ones where hazardous wastes are buried. The water of Neszur's and Oregerdo's wells have been examined recently by public health officials. And they found everything in them except water. They contain copper, zinc, lead, cadmium, nickel, chrome, mercury, arsenic, and nitrates. The official evaluation was: "Acceptable as drinking water for lack of anything better."

Different Measurements

According to the residents, the examination of the wells indicates that hazardous waste was dumped at other locations as well. But where? LRF officials do not know of any other location. But Neszur residents identified three additional locations. They do not believe public health chief Dr. Gyorgy Kadar, who was trying to prove that zinc was the only pollutant that exceeded permissible levels, and that the cause for that could have been the fact that people use zinc-coated buckets to take water from the wells and, moreover, that the structure of the soil could also have been the culprit. Residents of the region are now looking for an independent laboratory to carry out further measurements. They have also asked the Swedes to have all wells—almost 200—checked.

It is unlikely that this will happen; however, the Swedish environmental experts promised in no uncertain terms that they will examine the newly identified locations as well. On the other hand, LRF experts who were present at the forum emphasized that they are observing the laws—which were made after the hazardous waste had been deposited. And they have been "cleaning up" diligently both within and without the plant since 1990. They have done everything they could in the interest of protecting the environment.

Action of Collecting Signatures

Those present found all this inadequate. It was said that those responsible for the damages must be sought out, for what happened at Jaszbereny's outskirts was criminal. Even the issue of compensation was brought up. Their real estate properties are now of lesser value and no one buys their

produce at the market, for the plants soak up the water-soluble pollutants. Not to mention that the previous regime held back information from them. They were thus completely unaware that by pouring out the contents of one or two dug-up barrels, they themselves also caused damage. They used the barrels for collecting mash and for distilling brandy, endangering their own health.

The Swedes would like at least to begin cleaning the soil. But, for the time being, no one knows when they plan to do this. Owners of small gardens in Neszur have begun collecting signatures. They would like to have the dump site designated by the Swedish and American experts—where the less-polluted soil would be taken—moved elsewhere.

New Measures, Internal Policing of Customs

92EP0388A Warsaw RYNKI ZAGRANICZNE in Polish
No 49, 23 Apr 92 p 7

[Article by (GK): "Customs Inspectorate—For Smugglers and Customs Officers"]

[Text] In addition to fiscal and building police, we will have customs police, most probably at the beginning of 1993. The idea of creating a Customs Inspectorate originated as early as last year. The reason is the necessity of tightening the borders.

"Certainly, the new customs law, which has already been in effect for over a year and a half, expands the possibilities of the customs officers in the matter of inspection, but it turns out that it is not enough. The written laws exist, but there is a lack of implementors," says the press agent of the Head Office of Tariffs (GUC), Krystyna Urbanska. The Polish customs inspectorate will be modeled on similar institutions operating in the West, mainly German and French.

Structure

In the beginning, a General Customs Inspectorate will be created, with its seat in Warsaw. It will be headed by a general inspector, elected at the motion of the GUC president by the Council of Ministers. Besides the "head" in the person of the GUC president, the newly elected structure will not have anything in common with the current customs services. The target number of customs inspectors working all over the country is 1,500 persons.

For the present, it is planned to create eight centers in Poland. Where is still unknown. However, it will certainly not be in localities where any customs offices or stations are working and operating.

As we have learned at the GUC, two goals are the guiding principle for this idea:

- Expansion, constantly too small a network of customs administration in general;
- Elimination of all ties between the current structure and the inspectors.

The Field and Area of Operation

The new customs law allowed for exaction of a fee for two years after goods are imported to the country; the activity of the customs inspectorate will be aimed mainly in this direction. Currently, the customs officers seldom use this clause, and for very prosaic reasons, such as lack of personnel and resources.

Although, generally speaking, the idea of the customs inspectorate is to tighten the borders, one can also expect that its work will solve two basic problems. This will be, first, renewed inspection of economic subjects within the country—and the inspectors will concentrate on this. In addition, it is hoped at GUC, that the number of crimes committed will be reduced by the very consciousness of the fact that, even if one succeeds in outsmarting the customs officer at the border (by bribing or deceiving, lowering the customs value of the goods on the invoice, etc.), then he will still likely be caught in two years.

"It is no secret," says Krystyna Urbanska, "that the prospect of prolonged fear of bearing the consequences discourages one from abuse. In addition, the customs inspectors will be able—and will certainly not give up this right—to verify the correctness of their own customs officers' actions. If we take the fact that, in 1991, 180 customs officers were fired for abuses themselves, then the inspectors here are the very best around. Similarly, in the case of dishonest tradesmen, also prone to bribery of customs officers, they will not be able to sleep soundly. The fact that their 'oversight' may be detected at any moment and they themselves punished, certainly motivates them to more honest and upright work."

The basic field of operation of the inspectorate will be the country. Although so much is said about smuggling, the GUC considers that the main losses for the budget, and thus the largest field to abuse, is the lowering of the customs value on invoices. And if the customs officers theoretically have the right to question the invoices, then the practically existing procedure deters even the most persistent.

The strategy of the inspectorate's operation is based on the fact that, in connection with the changing situation (the systematic reduction of tariffs), it is high time that customs officers concentrated on the quality of the performed work. Then if fraud is even more rarely detected, success will be achieved, because suitable control will bring increased returns to the budget from the paid duty.

When To Attack?

For the present, restructuring has begun in the GUC itself. The Department of Customs Control was eliminated, and from it a group of 10 people was assigned, which is the origin of the GIC. These are the so-called operational services.

At present, there are two basic problems—the financial resources necessary for creating the inspectorate, and the forcing of essential improvements in legislation, which will allow the unimpeded activity of future inspectors. The arguments of the GUC, that investment in the form of the inspectorate will be returned rapidly, seem convincing.

The first goal of inspection, aside from detection of lowered invoices, will be disclosure of false clearance documents. In addition, this concerns the elimination on the roads of vehicles with western registration, which are owned by Poles who are permanent residents of Poland, and of, as it is designated, the "mafia" sale of either stolen or smuggled vehicles. In association with this, certain changes in the highway code are necessary. For example, it must have a regulation authorizing the customs inspector to inspect cars on the roads without the assistance of the police.

The next step is to introduce improvements in the customs law. There should be no problems expected here, because it will be pure "cosmetics." It is known, however, that inspectors from the operational group will be delegated for the first inspections before the end of the year.

Specialists from different areas—accounting, law, economics, and finance (in addition, a university education and fluency in a foreign language are required)—will be employed as inspectors. It should be expected that they will

soon appear in selected plants, warehouses, and even apartment buildings (the latter with the approval of an attorney).

If the inspected person is not able to document the origins of a commodity (present a certificate or clearance paper), then this commodity will be confiscated, and a procedure, provided for in the penal, fiscal law, will be commenced against the owner (the highest penalty is currently 500 million zlotys).

By reason of their performed tasks, the customs inspectors will exercise greater authority than customs officers. Close cooperation between the police, fiscal police, and customs inspectorate is provided for.

Defense Industry Restructuring Proposal Outlined
92EP0393B Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 23 Apr 92 p IV

[Article by Antoni Kowalik: "Defense Industry Under State Supervision: Ministry Proposes Six Holding Companies"]

[Text] First of all the defense industry should adapt to the conditions of a market economy, in order then to become effective economically and technologically and, therefore, a competitive weapons supplier to meet both the national requirements and the needs of foreign trade.

These are the general targets of the program the Ministry of Industry and Trade has developed for restructuring this branch. The ministry is treating industrial policy for the branch as part of the country's defense activity. There is emphasis on the strategic significance of this problem stemming from the need to maintain some sort of production capacity during peacetime as well as when threats mount.

This is why the basic hypothesis of the restructuring program being presented is the assumption that the domestic defense industry should furnish the armed forces with the necessary weaponry and equipment to conduct conventional warfare. In this connection, the state should take special pains to protect certain strategic production potential.

The basic goals that have been written into the program are the following:

Reducing production capacity to the state's economic possibilities and needs, focusing specialized production in certain industrial branches and enterprises, converting the remaining capacity to free market production, changing the structure of the arms industry, and basing the operating principles of the economic units on the economic rules of a market economy.

Owing to the type of goods produced and the technology of production, there is a proposal to create holding companies linked through capital and cooperation. The program proposes to divide the 12 existing industrial branches of special goods into three groups of enterprises.

The first group would encompass between 10 and 20 plants of strategic significance. They would create four holding companies: classic armaments; munitions, rockets, and

explosive materials; radar; and electronics and optoelectronics. These companies would function as a one party company, the State Treasury being a 100-percent shareholder.

It has been proposed to restructure these companies extremely quickly.

The second group would include about 15 companies operating as stock companies, with the State Treasury as the controlling shareholder. Two holding companies would be created, an aircraft one and an armored vehicle one. The Northern Shipyards in Gdansk would also be included.

The third group would consist of government firms, stock companies and private firms operating on the basis of a free market economy. Among other things, they would use competitive bidding and engage in specialized production, for example, in certain branches such as the following: sapper-engineering, automotive, antiaircraft, communications, and supply.

This program is to be carried out in three phases. The first, which has already been accomplished, consists of diagnosing this industry and working out the paths for the restructuring. Next, business plans would be developed for the various groups of companies, and in the final stage these plans should be quickly implemented.

The basic condition for carrying out this plan, of course, is having the Council of Ministers approve it and make the appropriate decisions concerning it. Alongside this, the ministry document mentions the conditions, such as assigning to a bank or banking consortium the responsibility for complex services for the defense industry and designating specific sums to finance a minimal plan to buy weapons and equipment this year and to pay for projects completed but not delivered yet to Yugoslavia and Iraq.

The document also talks about the need to monitor a negative export list, about undertaking negotiations immediately concerning the indebtedness of states that formerly were part of the USSR and possible trade with these countries this year, about exempting from duty imported components to be used in final production designated for national needs, and about creating a State Treasury Assets Agency, which would be charged with managing excess assets.

The Agency for the Development of Industry is expected to direct the restructuring of the defense industry, under the supervision and cooperation of the Army Department of the Ministry of Industry and Trade. The government decisions, in the course of the restructuring process, ought to be made through the Defense Industry Council, which includes all interested departments.

Progress of Negotiations With EFTA Reviewed
92EP0393A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 23 Apr 92 p I

[Article by Danuta Walewska: "European Free Trade Association Negotiations: Problems With Agriculture"]

[Text] The Czechs and Slovaks have already signed a multilateral agreement with the EFTA [European Free Trade Association] countries (Norway, Sweden, Switzerland, Finland, Iceland, and Austria). It still remained for them to make far more difficult bilateral agreements with each of the member countries separately. Poland had planned for a temporary agreement's going into effect back at the beginning of the year, but now our negotiators are convinced that the talks must still continue. Hungary is in the same situation. Both the Poles and the Hungarians are of the opinion that it is worthwhile to take longer to negotiate, so that the agreement will be no worse than the one they managed to reach with the EEC. Agriculture is the key to the agreement.

The negotiations are not like last year's marathon with the EEC committee, because the EFTA has no common super-national machinery to impose its conditions, as it were. In this organization, every country speaks for itself, and there is no question of exerting any sort of pressure.

Switzerland, Austria, and Sweden are the most difficult partners in the group. It is not easy talking to the Norwegians either. They use all available defenses to block our meat exports. There are so many phytosanitary restrictions that hardly any of the EEC countries can meet them, but the reason the countries introduced them was not so much their excessive concern over the health of their citizens as concern for the healthy financial condition of their farmers. The reason the average Norwegian pays so much for food is that it costs the Norwegian farmer so much to produce it, perhaps because of the climate. Everything exported to Norway is subject to a discretionary system of permits. It is an exceptionally closed market.

The Swiss too have a whole list of stipulations motivated by the country's neutrality, and in practice they do not issue preferential concessions. If the negotiations concern some concrete product, then the Swiss grant most favored nation status for all similar goods imported from other countries as well. There are no exceptions, and this fact makes the Swiss exceptionally difficult partners.

Iceland, on the other hand, defends itself from access to foreign agriculture, because its market is simply too small. Talks are in process with the Swedes, but their course is not an easy one.

Fish exports cause us the greatest difficulties. The Austrians and Swiss have nothing against our having a greater share in marine fish deliveries, because they themselves do not do ocean fishing. The Norwegians and Swedes, on the other hand, would see no problem, if we wanted to sell the EFTA more carp. As a result, there are problems with both the former and the latter. None of our partners in the negotiations is anxious to see Polish processed agricultural products, but they are very interested in access to our market. Tomasz Jodko, one of our negotiators, says that the agricultural syndrome weighs heavily on talks with the EFTA and that we should really not expect optimistic information soon.

Our trade with the Finns is another question, because the tariff in trade is zero, owing to the KAVSOS agreements in

effect (eliminating tariffs between Poland and Finland). This is the reason there is so much Finnish butter, for example, on our market. If we sign an agreement with the EFTA, KAVSOS will automatically cease to be in force. KAVSOS, after all, was better for us at one time. At that time the Finns protested that a country with a centrally planned economy and subsidized agriculture and industry would take advantage of easier access to their free market. Now our producers are protesting, because the Finnish free market is far better organized than ours.

All this goes to show that before we actually sign an agreement with the EFTA and it begins full operation, Austria, Sweden, and Finland will enter the EEC, and all sorts of mutual relationships will begin to intersect and cross each other out. Then most of the problems that today seem invincible will cease to exist of their own accord. Our affiliation with the EEC is based on stable principles, and the next stages are clear and simple to predict.

Euroregion 'Nysa' Found To Be in Draft Stage

92EP0402B Warsaw GAZETA PRZEMYSLOWA I HANDLOWA in Polish No 15-16, 12-26 Apr 92 p 4

[Unattributed article: "Nysa' Euroregion Drafts"]

[Text] The activity of the regions of Jelenia Gora voivodship bordering on the GDR and Czechoslovakia is already entering the stage of concrete discussion on programs of action under the auspices of what is called the "Nysa Euroregion." For example, the Czech side is interested in using excess heat from the Turow electric plants to heat towns located near the border.

In Liberec and Hradec, construction is beginning on a wastewater treatment plant that will help improve the environment on both sides of the border.

The German side is planning to open an international training institute in Zittau next year. Participants will include scientists and college students from Jelenia Gora and Liberec.

The Nysa Euroregion council and board have operating assumptions calling for the development of their own financing as well as their own proposals for opening up new border crossing points.

French-Polish Chamber of Trade Described

92EP0402A Warsaw GAZETA PRZEMYSLOWA I HANDLOWA in Polish No 15-16, 12-26 Apr 92 p 8

[Interview with Jean Zarzecki, president of the French-Polish Chamber of Trade, by A.L.; place and date not given: "French-Polish Chamber of Trade"]

[Text] The French-Polish Chamber of Trade and Industry came into being in April 1988, at the decision of the Association for the Promotion of French-Polish Economic Cooperation. A ministerial directive of January 1989 confirmed its existence. The chamber's headquarters are in Paris. Jean Zarzecki is the chairman and founder of the chamber.

[Zarzecki] Our activity is largely promotion and information. In terms of information, the chamber publishes a monthly bulletin, and we are planning to publish a directory of firms. We also have contacts with the French chambers of trade and industry. Because of these contacts we are setting up meetings in French companies. We also disseminate information about the possibilities for economic cooperation with Poland and encourage investment this way. We already have more than 40 chamber members, and we provide them with the appropriate service through our office in Warsaw. At the moment we have 47 Polish members. This may even be the largest chamber with French participation.

[A.L.] What do you consider to be the chamber's greatest achievement?

[Zarzecki] Chiefly the fact that in a short time more than 450 firms have made contact with our chamber. We are pleased over Polish contacts with Alcatel. We think that the presence of Vittel on the Polish market will be a similar success. We have a high opinion of the chamber's publishing activity. I think that we should consider the cooperation of firms on both sides to be a great success, because we are not here for ourselves, after all, but for the companies.

[A.L.] People often say that there is no real cooperation between French companies or institutions. People say that the French are individualists. Is that true?

[Zarzecki] The French avidly hold on to their privileges, and it is true that there is no cooperation like that in Germany or Belgium. Many entrepreneurs are a little like great ladies, but this should not lead them into isolation.

[A.L.] How do you rate the extent to which the credit possibilities have been exploited in Polish-French ventures?

[Zarzecki] There is great interest, but credit is rather difficult to obtain, owing to the severity with which credit applications are reviewed. Moreover, Polish intermediary banks set up many barriers in granting credit. They are very miserly. A great portion of the credit has still not been used, but I think that more companies should try to use it. Finding solid French partners and preparing credit applications better would make things easier for Polish firms.

[A.L.] The chamber's bulletin has information about legal assistance. What is that all about?

[Zarzecki] We send chamber members complete information about the Polish legal system and conditions for entering into ventures. We also act as intermediaries in establishing contacts with consulting firms, if anyone expresses the desire that we do so.

This help is useful, because of certain unclear aspects of Polish law concerning the question of property, for example, and therefore difficulties with buying real estate. This also concerns cases in which the trade tribunals should intervene, or where there are debts.

[A.L.] The chamber's bulletin also emphasizes the role of contacts with companies besides those in Paris. Can we already be talking about some sort of Polish promotion somewhere other than Paris?

[Zarzecki] We very often come across entrepreneurs from smaller cities. And it is true that one can see great interest. We are trying to put as much information as possible in our bulletin, to set up trips for French entrepreneurs to come to Poland, so they can come into contact with Polish reality. There are already many regions that are especially interested in cooperation with Poland: Lyon, Marseilles, Rennes, Strasbourg. On the other hand, the National Chamber of Commerce is trying to use our organizational auspices to promote Poland on the French market.

Turnover of Rural Real Estate Expected

92EP0393C Warsaw RZECZPOSPOLITA
(ECONOMY AND LAW supplement) in Polish
18-20 Apr 92 p II

[Article by Edmund Szot: "At the Farm Property Agency, People Understand the Value of Time"]

[Text] The State Treasury's Farm Ownership Agency (AWR) was created a little too late, on the one hand, and a little too early, on the other (for example, with regard to the reprivatization law). Intense organizational work has been going on from the very beginning.

Directors and their deputies have already been named for all 14 local branches of the agency. The stage of internal training has also come to an end. A book of procedures for taking over state farms has been developed. For the moment, there are 50 of these procedures, and there may be still more later. Work has begun on putting in order the questions relating to lands that form part of the State (Agricultural) Land Fund [PFZ]. This past February, agency chairman Adam Tanski asked all the mayors and village leaders whether they would agree on behalf of the AWR to sell or lease PFZ land after its transfer to the State Treasury's Agricultural Land Bank. As might have been expected, in the decided majority of cases, the answer was "yes." Now the town and village leaders have documents authorizing them to sell or lease these lands. Upon instructions from the agency, the parishes (gminas) are taking on the obligation of selling land as of 30 September of this year. They will receive 3 percent of the sales price as a commission on the sale and will be reimbursed for the costs of drafting the surveying and geodetic documentation, setting up the sale, and so on.

Forests and lands destined for forestation are excluded from these sales, along with land designated for nonagricultural and nonforest purposes in local regional planning, if they have not yet been transferred to the parishes, or "communalized." Of course the funds from the sales are to be transferred to the agency's account (at the Food Industry Bank).

During the past few days, the AWR has received many applications to have property returned. Many of these applications are not supported with any documentation at all. For example, a man writes that he is asking to have his property in Starowola restored to him and that, insofar as he

remembers, he had about 190 hectares. The Ministry of Ownership Transformation estimates that under the auspices of reprivatization the state land to be returned could amount to about 1.4 million hectares, a figure that seems to be greatly inflated. One way or the other, there will be a brisk traffic in land turnover during the next few years. In

this connection, we will have to take another look at the issue of land consolidation. It does not seem as though we can avoid updating the land amalgamation law that was created under different sociopolitical conditions, when the chief motivation behind its regulations was not the same at all.

Culture Ministry Official Criticizes Cluj Mayor

92BA0933B Bucharest ROMANIA LIBERA
in Romanian 13 May 92 p 5

[Article by Andor Horvath, state secretary at the Ministry of Culture: "The Right To Disagree"]

[Text] In connection with certain recent orders and measures issued by the mayor of Cluj-Napoca I want to bring to the knowledge of the public my protest against the abusive manner in which Mr. Gheorghe Funar is discharging the authority invested in him. In fact, at a meeting held at City Hall on 30 April, I communicated the following observations and objections to Mr. Funar, along with my intention to publicly express my disagreement with the measures in question. These are the facts:

1. On 24 April the mayor of Cluj-Napoca canceled a meeting scheduled to be held at the initiative of MADISZ [Organization of Young Democratic Hungarians in Romania—in Romanian, ODTMR] in cooperation with FIDESZ [Organization of Young Democrats in Hungary] and with the participation of Dutch experts. The meeting's agenda centered on issues of local administration. The reason given was the term "self-government" [published in English] used in the meeting agenda, which in Romanian means self-government. However, since Art. 1 of the Constitution proclaims that Romania is an "independent, united, and indivisible state," the meeting in question was viewed as opposed to the Constitution and thus subject to cancellation.

In my opinion, by the measure he took the mayor of Cluj-Napoca committed three abuses:

a. He used a semantic confusion as proof for an argument. (The titles of the lectures of the five Dutch guests unanimously attest that the subject of the meeting was exclusively devoted to issues of local administration in the light of 70 years of experience in their country).

b. He used a mere assumption as a proof. Assuming that the meeting in question was indeed devoted to discussing the term "self-government" in a broad sense (also in a regional sense), any repressive measure, including legal suits against those involved, could be taken only after such discussions took place, since they would have been the only valid proofs of the anticonstitutional nature of the meeting.

c. He abused the letter of the Constitution against its spirit. Romania's first postcommunist Constitution was adopted to sanction, in a spirit of democratic openness, the rights and freedoms without which a law-governed state and Romania's integration in Europe are inconceivable. However, invoking the Constitution and the country's laws not in support of the free exercise of the rights they incorporate, but for the purpose of curtailing or lifting them is a typically communist and totalitarian practice. The return to such practices does not mean, as the mayor of Cluj-Napoca claimed, observing the law, but installing abuse, intolerance, and dictatorship.

In the protest published in TRIBUNA ARDEALULUI (30 April 1992), the Dutch guests stated among other things: "The Dutch group wants to express its indignation about what occurred today. In our opinion, the purpose of our

coming here was to preempt such a thing; our Constitution guarantees the freedom of expression and freedom of gathering. We wanted to inform the Romanian democrats about how the Netherlands is endeavoring to practice local democracy. We regret that we did not have an opportunity to speak freely here."

2. On 30 April Mr. Funar summoned to the Cluj-Napoca City Hall the representatives of the local branch of the Soros Foundation for an Open Society, which was hosting a meeting between leaders of the various nationwide branches of the Foundation and its representatives in Chisinau, Budapest, and New York. The purpose of that informal meeting, which did not have any kind of preset agenda, was simply to facilitate direct contact between foundation members in various locations who are cooperating toward achieving joint programs in the areas of activity of the Foundation. On the pretext that by its very name the Foundation proclaimed itself to be for an "open society," the mayor of Cluj-Napoca made the organization of the meeting conditional upon the participants' agreement to hold it in the presence of representatives of the mass media and of other cultural organizations. In the end, the organizers accepted the conditions imposed in order to not compromise the planned meeting, but that does not in anyway change their arbitrary and abusive nature. By his act Mr. Funar flagrantly violated the acting autonomy of any association, society, or foundation by deliberately confusing between their statutory pledge to respect the laws of the country, and the right of administrative authorities to interpret this pledge any way they wish and to set conditions for their free operation.

3. The legal grounds on which Mr. Funar justified his actions was Order No. 299 of 28 April 1992 issued by the mayor of Cluj-Napoca, which stated, among other things:

"Art. 1—As of 29 April 1992 all conferences, symposia, and other similar public events organized on the territory of the Municipality of Cluj-Napoca will be declared at the City Hall.

"Art. 2—The organizers of such public events will file a written statement with the City Hall at least three days prior to the event, in which they will state the name under which the organizer is known, the purpose, place, date, and time of the opening, the duration of the events, and the participants.

"Art. 3—Public events designed to propagate ideas opposed to the principles sanctioned in Romania's Constitution are forbidden."

The above order is unconstitutional because, under the false pretext of safeguarding the principles of the Constitution, it does nothing but curtail and condition the exercise of the rights sanctioned in the country's fundamental law. When an administrative authority arrogates the right to decide whether, judging by its name, a conference or a symposium is or is not in keeping with the "principles of the Constitution" and on the basis of such an examination to allow or forbid it, this violates the very basic principle of the effect of democracy: Each person's freedom of thought and expression. Respecting the Constitution is an obligation for

anyone, including the organizers of conferences and symposia, but transferring this obligation to an administrative authority—especially in the areas of art, culture, and intellectual pursuits—is in itself an abuse and inevitably leads to arbitrariness and censorship.

4. And finally, in an undated Order published in ADEVARUL DE CLUJ of 10 April 1992, the mayor issued "public advertizing regulations" in which he pointed out: "Communiques, commercial advertisements, and any other announcements will be made in the official state language, Romanian."

I find this decision unacceptable both in line with the principles governing the activities of the Ministry of Culture and implicitly of its institutions, and in line with the Constitutional rights regarding the preservation and assertion of the cultural identity of the national minorities. By this order the mayor of Cluj-Napoca evidently violated the Constitution, which he interprets restrictively, thereby doing exactly the opposite of any democratic country governed by the principle that "Anything that is not specifically forbidden is allowed." Consequently, aside from the fact that he ignored explicit Constitutional provisions regarding the use of the minorities' mother tongue, Mr. Funar also made the mistake of giving a restrictive interpretation to the country's laws in the sense of the principle that "Anything that is not specifically permitted is forbidden," a principle of typically communist and totalitarian origin.

As is known, Cluj-Napoca is home to two prestigious cultural institutions of the Hungarian minority: the State Theater and the Hungarian Opera, which in fact will mark their bicentennial anniversary in December. It is inconceivable that both they and other cultural institutions (popular universities, scientific societies, etc.) should not have a right to announce their programs to the public in the Hungarian language, too.

I want to appeal to the prefect of Cluj County to carry out the mandate entrusted to him for enforcing observance of the Constitution and the laws by guaranteeing the fundamental civic rights. I remain firmly convinced that invoking the Constitution or the laws for the purpose of curtailing rights and freedoms stems from a profoundly anti-democratic concept and carries the risk of the establishment of totalitarian practices.

Campeanu, Former PNL Members on Resignations

92BA0933A Bucharest ADEVARUL in Romanian
13 May 92 pp 1-2

[Article by Corina Dragotescu and Ion M. Ionita: "The National Liberal Party Shaken by Resignations"]

[Text] Viewed by both friends and foes as the most powerful force in the Democratic Convention [CD], the PNL [National Liberal Party] recently ran into a wave of protests arising from its own ranks. The decision of the liberal leadership to pull out of the CD also generated a string of resignations by deputies and senators from the respective parliamentary groups, something that, in line with our political arithmetics, brought about the present paradoxical

situation in which the PNL, a government party, has been left without a parliamentary group in the Senate. It seems that the situation is not too good in the field either: Numerous meetings between the central leadership and county organizations attest to the former's endeavors to have its "line" accepted. And to top it all, there is a rumor that Vintila Bratianu may establish residence in the country as possible leader of the dissidents.

Aside from the familiar arguments cited by the liberal staff in favor of its position, the step in question—and, implicitly, running the extremely great risks stemming from it—may have been made more with an eye to the millions of voters confused and orphaned by the split in the FSN [National Salvation Front] and the continued deterioration of the socioeconomic situation. With an intelligent electoral campaign, the PNL could pick them up off the streets. In case of success, the party can gain a very powerful position in the future legislative forum and as many cabinet seats as possible. And in case of failure, "We want Motoc's head...."

To better understand aspects concerning the convulsions taking place in the PNL, we asked both parliament members who resigned and party chairman Radu Campeanu for additional details.

Emil Tokacs, senator for Prahova and state secretary at the Ministry of Education and Science: It Pains Me, but I Am Upholding My Position

"The reason for my resignation from the PNL was the substantial difference that appeared between my viewpoint and that of the party leadership regarding the party's participation in the CD as a form of unification of the genuine opposition. I viewed and continue to view the PNL as a major party, but I protested in my own way against what I view as a political strategy totally inadequate for this time, a strategy that may place the opposition in a difficult corner or add to its difficulties. My gesture was synchronized with the choices of a good number of party members. Almost all of the Prahova liberals are in favor of the PNL's staying with the Convention, and from what I have learned, a similar atmosphere is prevailing in other counties, too.

"Personally I cannot support a movement designed to break the unity of the opposition. I do not place party doctrine, but the national interest in the forefront, and that interest is the democratization of the country. That is the political objective. The differences of nuance among the various democratic parties are not important at this time. However sound, the reasons claimed by the PNL leadership do not justify the position it adopted.

"As for the liberals' participation in the government, I believe that it was beneficial, that it provided additional balance and competence, and that the liberal ministers fulfilled their duties. The PNL is a party with a very great potential and that is why I think that leaving the Convention was a major mistake. I was pained to have to make the gesture I made, but I do not regret it and I uphold my position."

Ion Ban, senator for Sibiu: I Hope Not To Find Out That I Was Ousted From the Party

"I resigned because of the position taken by the party leadership about continuing the CD alliance. This is a decisive political moment and the leadership should have placed the national interests above everything and make the inherent concessions in order to maintain the coalition. I did not like the political conduct of the permanent delegation; the discussions centered on the animosities among the CD members instead of dwelling on the need to go to the elections together.

"Nevertheless, I think some bridges are still left to restore the unity of the opposition. It can be tried, but without personal ambitions and pride. I think that the local autonomy granted to county organizations to chose whether to participate in the coalition or not was a political gesture of only relative effectiveness.

"In Sibiu County our supporters wanted us to stay in the CD. We have the experience of the local elections, when we ran alone and won only 7.5 percent of the votes.

"As far as I am concerned, I still view myself as a liberal, I am still a party member, and I hope not to find out from other sources that my membership was withdrawn."

Horia Pascu, deputy for District No. 3, Bucharest: A Fresh Tatarascu Defection

"My decision to leave the PNL after over 40 years of activity was based on two reasons: The liberals' participation in the government without honoring their promise to change certain structures in the economy and the administration, and splitting away from the CD. In today's situation, when the parties are still weak, the honest opposition must unite around a minimal common platform, which is precisely what the CD had done.

"I have not changed my political concepts, I am still a liberal, but I have broken away from the party leadership, which I think is following the Tatarascu line.

"As an adult I experienced Tatarascu's split in 1938, followed by his shift to Carol's National Rebirth Front; after the war there was another Tatarascu defection, when he joined the Bloc of Democratic Parties under communist tutelage. At the time, however, it was a splinter that fell away while the trunk remained standing. I think that now the PNL is following the Tatarascu line and is deviating from the liberal principles. I think that my position is shared by the large majority of liberal supporters in District No. 3."

Ivan Sabin, an independent senator: Stubbornness About Point 8

"I was never a PNL member, only a member of the Association of Former Political Prisoners, and I ran on the PNL lists as an independent. The main reason for my withdrawal from the parliamentary group was the the PNL pulled out of the CD. I viewed the Convention as a means of struggling against the old structures and I thought it was a genuine form of democratic opposition. Another reason was that when I suggested that Point 8 of the Timisoara [Declaration] be included in the electoral bill, none of the members

of the liberal group supported me. Moreover, I was combated by Mr. Campeanu, who I thought was morally and politically dutybound to support me because that point was part of the opposition program. My position does not signify a distancing from the liberal doctrine and I think that in the future, if I am accepted, I will candidate on the CD lists."

Radu Campeanu: The Existence of the PNL Was Not Affected

[ADEVARUL] What do you think about the resignations from the liberal parliamentary group announced by Senator Ivan Sabin, Mircea Curelea, and Emil Tokacs?

[Campeanu] Mr. Ivan Sabin was an independent who found a spot on our lists. As for Mr. Curelea, I talked to him and on the very afternoon when he announced his resignation, he attended a meeting of the group and promised to reconsider his decision, which was taken in the wake of a small incident he had with Senator Voica. Mr. Emil Tokacs said he was leaving only the leadership bodies of the party, but that he was going to continue working in the Prahova organization. A few days ago he already attended a county meeting, along with Mr. Quintus, where the elections were discussed together with the CD.

[ADEVARUL] What is the situation in the field?

[Campeanu] The party's permanent delegation decided to propose an initial understanding with the historical parties. But we granted autonomy to the county organizations to make their own choice. Of course, each one will discuss the alliance chosen with the party leadership. As a matter of fact, this is a principle of long standing. The fact that some organizations want to stay with the Convention does not affect the existence of the PNL as a whole. In Constanta, for example, the regional organization published a note in a newspaper saying that it was going to run in the elections with the Convention, but that that certainly did not signify dissidence.

[ADEVARUL] If in some counties the PNL [organizations] will want to run with the CD, to which the UDMR [Democratic Union of Hungarians in Romania—in Hungarian, RMDSz] belongs, will you permit it?

[Campeanu] For the time being I cannot answer this question. We will see and we will discuss each case separately. Our split from the CD was caused by the fact that the UDMR was running in the elections with it. For the moment there is only one case where such a possibility may occur, namely Timisoara.

Journalists Discuss Roles as Securitate Informers

Marculescu Cries 'Blackmail'

92BA0935A Bucharest "22" in Romanian
15-21 May 92 p 12

[Unattributed interview with Florin-Gabriel Marculescu, ex-reporter for ROMANIA LIBERA; place and date not given: "I Did Not Have the Courage To Refuse To Collaborate"]

[Text] ["22"] What can you tell us about the disclosure of your file?

[Marulescu] These fragments of files were released at a time when Magureanu was in great difficulty, consequently he needed a major diversion. It is perfectly true that I signed that pledge in 1975, when I was working for the International Relations Directorate of the Ministry of Transportation. But I do not recall signing a pledge that read like the one which was published. My memory may be misleading me, because it has been 17 years since then, but I do not think so and I would like to see the pledge in the original, just as I would like my file to be disclosed in its entirety. Because I never practiced political informing. I did not harm any colleague. The information that was requested of me concerned financial actions or deals which I later learned the Securitate itself was sponsoring. I do not know whether now they would find it convenient to publish what I then wrote, for example about the joint Romanian-Mauritanian fishing association or about the impossibility of implementing the myriad of demented cooperation guidelines issued by Ceausescu. However, what I cannot deny is the shame of my signature at the time. I allowed myself to be governed by fear and cowardice at that point and I did not have the courage to refuse to collaborate. I gave in to blackmail, although later I realized that I could not have done it.

["22"] What kind of blackmail was it and who was applying it?

[Marulescu] The person who kept summoning me was a Securitate colonel who currently is a colonel with the SRI [Romanian Intelligence Service]. He threatened that I would be losing my job, something very easily done to a man burdened with the "sins" of his forefathers.

["22"] You were what was known as "a man with a bad file"?

[Marulescu] Yes. A man with a bad file, a man who all his life had to squeeze by with false declarations in order to hide his parents' past, which contained nothing infamous.

["22"] Why did you have to have a pseudonym?

[Marulescu] Because of the need to keep a man under the pressure of a supreme secret: You were warned not to reveal anything, because that could have very serious consequences. In fact I had no secrets to disclose to the Securitate, considering that its men, its "undercover officers," were placed in all the key posts of the Romanian institutions. All the information and all the documents passed through their hands. What we were requested to tell would have been no news to the Securitate: It was only the need to involve the individual into a kind of complicity. And to make him feel guilty. Because what happened to me happened to hundreds of thousands of people, who today like then, can at any time fall victims to blackmail, since the disclosure of such things is still the prerogative of an institution which lays claim to a "democratic face" but is in fact the full successor of the Securitate.

["22"] Was the colonel in question summoning you at the institution where you worked?

[Marulescu] No. I was summoned to a tiny room at the Interior Ministry, in the building that burned down on

13-15 June. Every time I was told, first kindly, then on an increasingly harsh and threatening tone, that if I did not agree I would live to regret it for the rest of my life. I indeed regret that I agreed.

["22"] How did your collaboration with the Securitate proceed in time?

[Marulescu] I tried to break away as much as I could, so that at a certain point I became totally uninteresting to the Securitate and, as I recently found out, I was assigned the descriptive "weak." My lack of zeal was also demonstrated by the fact that in 1982 I was fired from the Food Industry Department. In 1989 I was once again put on the list of those who were to be fired from the Fishery Central, where I was working at the time. They would follow you wherever you went, because of that pledge. The proof is that at the beginning of 1989 I transferred to the Commercial Service of the Union of Plastic Artists and in June 1989 I once again found myself saddled with a colonel (a different one), because each institution had its guardian angel. The colonel requested that I resume my collaboration with the Securitate; I did not, and that was the last meeting I had with a Securitate cadre. That was in June 1989. I do not think that there existed any institution that was not under Securitate tutelage. Let us not deceive ourselves, because the leading role of the Securitate in the Romanian state was legalized in 1972 under Law No. 23 regarding the state secret which, however much it may surprise you, is still today in effect. This is the reason that every once in a while you find out that information notes are requested at some places. Protocol services are still in operation on the pattern of those years.

["22"] Do you think that there were people who refused to collaborate with the Securitate?

[Marulescu] I am positive that there were.

["22"] You said that you did not provide information about your colleagues in those reports. Was that not requested of you?

[Marulescu] Yes. I was asked for political information such as: Does he listen to Radio Free Europe? Does he comment on Free Europe? What does he say about the miners' strike of 1977? I did not agree to comply with such requests.

["22"] How frequent were your meetings?

[Marulescu] I cannot remember very precisely, but in any case they became increasingly rare. About two or three times a year. I always pretended to be busy, sick, not to have time, and so forth.

["22"] There were no receipts in your disclosed file; does that mean that you were not paid?

[Marulescu] I never received any kind of material advantages.

["22"] I want to go back to your pseudonym. Did the colonel who used to summon you also have one?

[Marulescu] You could never be certain of the names of Securitate people, because not infrequently they introduced themselves under various identities.

["22"] Did you have a feeling of belonging to the institution of the Securitate?

[Marculescu] I did not for one moment feel that I belonged to that institution. That is the reason that in December 1989, feeling completely uninvolved, I took the road that I did.

["22"] Did you not think at the time that you should reveal this?

[Marculescu] At whatever time this had come out it would have aroused the greatest suspicions which would have been overcome only with the greatest difficulty. There is always suspicion. Besides, I did not in any way feel that I owed anything to that institution called Securitate. I had no reason to mourn it. The fact that what was circulated by means of anonymous couriers was not a whole file (as was written), but disparate pages, shows that the Securitate is still today, in 1992, trying to blackmail me, just as it did in 1975. While at the time I did not have the strength to resist the blackmail, today I do.

["22"] Can it be proven that Magureanu was the one who released the files?

[Marculescu] Magureanu is denying it, as usual. Magureanu never knows anything, but he was the one who publicly threatened the Parliament and the press with these terrible Securitate files. This is base blackmail and I hope that the press at least will know how to handle it.

["22"] So what do you think, should the files be released or not?

[Marculescu] The files must be released. This operation of cleansing the past must be carried out, all the more so since for the time being we do not live in a democracy. For the time being we still live under communism. And for the time being the Securitate is still running this country.

["22"] But if these files are released, that may all at once damage the credibility of some people, at least for public, administrative, and other offices. You yourself can be reproached for running as an independent in the 20 May election and under Point 8 of the Proclamation of Timisoara.

[Marculescu] Point 8 of the Proclamation banned members of the nomenklatura and Securitate officers from candidating. I did not belong to those two categories.

["22"] So you did not see any moral restrictions there?

[Marculescu] I saw no restriction against my running, just as I saw no restriction to my writing. No one can be denied the right to have his say on matters of interest to the society. I have nothing to impute to myself for what I did in the past 2 1/2 years, at most stylistic corrections.

["22"] Some people believe that your articles are too incisive, considering this episode in your past. Do you think that the tone of your articles served as a self-justification?

[Marculescu] There is absolutely no connection between the two and we must not confuse them. That is precisely why I said that the struggle we are waging must not be abandoned

at any cost. Once again, the ideas are not mine, I do not deserve any credit for having put them on paper; it is the duty of each one of us to seize them and to incisively, as you said, convey them further. Because we need this kind of incisiveness. I do not see why we should need to whitewash things and mince our words.

["22"] But as soon as we begin to look more closely at other lives, do we not run the risk of finding explanations for others as well (nomenklaturists, securists, etc.)? They, too, may be able to convincingly show that they were guided or pushed by the system. So at what point does the culpability begin, what is our struggle, and against whom is it?

[Marculescu] This is such a vast topic that it should make the subject of a separate discussion. The explanations are many, but each person is defined by his attitude and actions. And if you like, since we nevertheless are living through abnormal times, by the risks he assumes.

["22"] From your viewpoint, do you feel guilty toward the press or the GDS [Group for Social Dialogue] about these 2 1/2 years?

[Marculescu] I have nothing to impute to myself in relation to the newspaper (because in fact ROMANIA LIBERA was the subject of most of my activities). No one can doubt my loyalty to the newspaper. And in fact, the attack on me cannot cast any shadow on ROMANIA LIBERA. If Magureanu imagines that he can harm ROMANIA LIBERA through me, once again I think he is wrong. As for the GDS, I do not see how I could have sinned against it in these two and 1/2 years. Perhaps by lack of participation. Perhaps by not being present, having been absorbed by too many other concerns. As a matter of fact, the GDS is not something very homogenous or very well defined, neither in point of ideology, or choices, or personal inclinations. I do not know whether the GSD has any right to act as a court of law. For what I have done in my life, good or bad, I will answer to God the merciful. Of course, my sin was bigger, but did not the millions of party members also sign a pledge? Did they not join the communist party for opportunistic reasons? Are the journalists who wrote for Ceausescu not to blame?

["22"] So you do not think that you should resign from those posts?

[Marculescu] The management committee of ROMANIA LIBERA is free to take any decision in this respect. For the time being I have resigned as section chief, but not necessarily in consequence of what happened now, but because I never liked being the chief.

Stanescu 'Saved Lives'

92BA0935B Bucharest "22" in Romanian
15-21 May 92 p 13

[Interview with Sorin Rosca Stanescu, ex-reporter for ROMANIA LIBERA, by Andreea Pora; place and date not given: "H-15 at the Service of the Fatherland"]

[Text] [Pora] Was what was said about you in the Deleanu file true or false?

[Stanescu] Considering what they have on me, it would be very easy for me to say that it is all a Securitate invention, all the more so as the report indicates that my file was allegedly destroyed. I do not intend to do so, because in reality there is no reason for me to say that it is not true. With one exception: toward the end it says that in view of my qualities, the SRI [Romanian Intelligence Service] wants to continue the collaboration and has tried to contact me. I think that is an extraordinary flight of the imagination, after all that I have been writing.

[Stanescu] How did you become an informer?

[Stanescu] It was not a very simple thing. In about 1975, I spent approximately seven or eight days at Piriul Rece, where I met an intelligent, earnest young man who seemed very nice. He introduced himself as the president of the Palestinian students in Romania. I was pretty concerned about the situation of the Palestinians: AGERPRES had just brought out a brochure with the entire history of the Palestinians. That is where everything began; I was curious to find out about the situation and whether what I had read was right, he told me that the reason for the Palestinian terrorist movements was to sensitize the world to their problems, and that is how we became friends.

[Pora] Was he a securist?

[Stanescu] No; after he became more open with me he told me that the story about being president of the Palestinian students was only a facade and that in fact he was in charge of a terrorist movement called al-Fatah. That was actually the point where I began my collaboration with the antiterrorist team.

[Pora] So you were not recruited?

[Stanescu] No. After that I talked to my chief editor. I got scared; in my imagination, all kinds of disasters featuring hostages were going to be plotted here and elsewhere.

[Pora] Your chief editor informed the Securitate?

[Stanescu] Probably, I don't want to implicate him here. Who would not have? Two officers came and asked me to write a report; I wrote it. After that they told me that this business involved risks, but that if I agreed, it was important to them that I keep up the relationship with the guy. I said: With great pleasure. There was no question of any contract, money, ransoms....

[Pora] Nor of blackmail?

[Stanescu] No blackmail. I had only one condition, which was respected from beginning to end: no political stuff. I told them, too, that my family had been pretty much decimated by the communists and that I had no sympathy for this kind of thing. The matter was linked exclusively to representatives of some terrorist movements with whom I became involved.

[Pora] Did you solve any case, was there any action?

[Stanescu] The antiterrorist team was cooperating with Western countries under various international agreements. On that basis they were able to make some arrests, prevent some bombings, and so forth. However, at some point

Ceausescu went mad and I realized from discussions with those officers that he had begun signing agreements with heads of terrorist organizations. Training camps were established on Romanian territory, which then worked in other places: Germany, Italy, the Arab countries. For example, there was the al-Fatah Madhaba movement headquartered in Tripoli under al-Qadhafi's wing. When I realized that deterioration I began to cut off my relations with them, so that I wouldn't have anything more to give. At one point I felt that I was serving Ceausescu by providing him with information, rather than Western police forces with a view to preempting certain actions.

[Pora] The report mentions money. How did they estimate how much to give you, on what criteria?

[Stanescu] If I went with one of them to the [Danube] Delta and my share of the expenses was 1,000 lei, I would get that amount and sign a statement. The tragedy is that they only have three copies left.

[Pora] How do you know?

[Stanescu] I know because the file was destroyed. That is made clear even in their report. I think that the destruction of files, including this one, was a crime, because it was very interesting. It was like a police novel. And I was not guilty of anything. No Romanian citizen suffered anything by it. About 1985 I began dissident activities and I was put under observation under a Securitate action organized by an entirely different department, called the Petard Action.

[Pora] Seems to me there was a movie by that name....

[Stanescu] I don't know, it dealt with people who printed or intended to print illegal leaflets and publications. What astonishes me now is that they managed to find out about my business. Because in effect the illegal publication LIBERTATEA, which brought out only two issues, was the work of only four persons. It is amazing that they found out. We were two friends and our wives.

[Pora] Since you were working as a journalist, how come they did not try to use you in that way, as they did many others?

[Stanescu] They were thoroughly familiar with my file and they knew what I thought. Many members of my family had been deported. That was the spirit in which I grew up.

[Pora] But they could have blackmailed you.

[Stanescu] You can only blackmail a person when he has violated the rights of another person. They had no means of blackmailing me.

[Pora] Do you see yourself as absolved because you did not inform on any "Romanian citizen"?

[Stanescu] Yes, but not completely, precisely because of the one fact I told you. I came to feel that the information was being used for Ceausescu's contacts and that without my knowledge, I practically helped Ceausescu develop the best of relations with terrorist organizations.

[Pora] Did your circle suspect that you were an informer?

[Stanescu] They couldn't have.

[Pora] Nevertheless, during the time you worked as editor for VIATA STUDENTEASCA you were pegged as an informer and your colleagues were careful not to mention certain topics in your presence.

[Stanescu] I don't believe that. Toward the end there was a very big dispute at VIATA STUDENTEASCA between a group of editors and the newspaper management regarding fraud. It involved Motiu, Stireanu, and others. They had me pegged as an informer. I finally joined the party and at one general meeting I got up and said that they were stealing, stealing newspaper money. The two camps were genuinely divided only about fraud. A scandal broke out about it. Absolutely no connection with politics. Had there been any such thing, that is what Magureanu would have produced now, not matters regarding the antiterrorist struggle.

[Pora] The report mentions "200 solved cases," but no antiterrorist struggle, so we can believe anything....

[Stanescu] Please believe the report they put on the market.

[Pora] Why? You make me feel that you rely on that report; can other documents not show up?

[Stanescu] But I am convinced that there are other documents in existence. Saying that the file was lost is a lie. Since they want to discredit me, they would have pulled out or at least fabricated such documents.

[Pora] After VIATA STUDENTEASCA you worked for INFORMATIA BUCURESTIULUI. Did you suffer any repercussion after handing in your party card?

[Stanescu] I handed in my party card and I said I did not agree with the party policies. I continued to work for INFORMATIA because after that came a whole round of "talks" at which it was explained to me that it was a shame about my little girl, that she could get run over by a truck.... Everyone wanted only one thing: that I should reclaim my party card. That was after the scandal with Aurel Dragos Munteanu and they were afraid of another scandal.

[Pora] But Aurel Dragos Munteanu was fired from his job; how come you were not?

[Stanescu] With him they did not try any kind of conciliation. I took my party card back after they guaranteed to me (when I say they, I mean Croitoru, who was then secretary for propaganda at the party municipal committee) that from then on I would not be required to write anything but what I wanted for the newspaper.

[Pora] And that is how it was? You wrote only what you wanted?

[Stanescu] I was working in the department for "citizens' issues." I wrote only what was possible out of what I wanted. I could not write that the country was starving, but I could write that there was no sewing thread to be found....

[Pora] So you attribute the fact that you were not fired from the newspaper to a passing conjuncture, not to the fact that they wanted to keep you there because you were an informer?

[Stanescu] The question does not relate to the documents and the report they presented. They said that since 1985 they began to watch me and that I was under investigation. That is what they said, that the collaboration ended at that time.

[Pora] They said that the collaboration ended "by common agreement." What did that "common agreement" mean, did you have some discussion about it?

[Stanescu] I don't remember exactly, but if they say so, it must have been. There was no such discussion, there could not have been.

[Pora] So the report must not be believed in its entirety?

[Stanescu] No, since they keep saying that I was being watched because of leaflets! That surveillance was downright funny. Some days there were two shadowing me, about 3 or 4 meters behind, almost ostentatiously. But I did not for a minute suspect that they had found out about the leaflets.

[Pora] After the revolution, when you joined ROMANIA LIBERA, did anyone know that you had been an informer?

[Stanescu] No.

[Pora] Why did you not tell?

[Stanescu] Because I did not think it was necessary. Now of course... The moment was anyway well chosen: I was away in England and Marculescu was on leave. But as long as you didn't do anything which had to do with the political police or domestic espionage, as long as you didn't cause anyone any harm, it's not something that weighs on your conscience or that affects you. My conscience is not burdened by anything to do with my collaboration with them, with the exception of that thing I told you.

[Pora] But since you worked for a newspaper like ROMANIA LIBERA and wrote so unforgivingly and harshly, did you not think that if your file were to be released, the newspaper may unjustly be placed in an unpleasant situation?

[Stanescu] My file contains nothing apt to cast a negative light either on the newspaper or on me as an individual.

[Pora] The mere fact that you were a Securitate informer is not a negative light?

[Stanescu] The mere fact that I saved human lives in various European cities is not an ugly fact, in my opinion. So I don't really think that this is something evil or ugly to carry on one's conscience. Some of the informers categorically did not have anything to do with domestic espionage or with activities that violated the human rights.

[Pora] You are a member of the Steering Council of the AZR [Romanian Journalists Association]. Do you intend to withdraw from that position?

[Stanescu] Since this is a public scandal that could affect the reputation of the association, I told the AZR Council that I was ready to immediately withdraw. They said that was not the question and decided to begin a round of discussions between the Steering Council and the Parliament, the Justice Ministry, and the SRI, which I will not attend, because

I never want to see Magureanu again, discussions on what the Steering Council views as an attempt to blackmail the press and the opposition.

[Pora] Now that your file or some of it has been made public, do you still maintain your opinion about releasing the files of the other informers?

[Stanescu] I always demanded that the files and the list of informers be made public, but in their entirety. What Magureanu is doing is not only illegal, but heinous. Magureanu is publishing bits of files, what suits him, and using them as a political weapon against certain opponents. This national blackmailing will stop only when the complete lists and files will be released to the public.

[Pora] In the light of this file, can everything that you wrote since the revolution now be questioned by the public?

[Stanescu] The signals coming from the readership do not indicate any such thing. I do not rule out such a possibility, but I assume that what I will write from now on will be free of suspicion.

[Pora] At this point many readers probably wonder where you got some of the information on which your revelatory articles were based?

[Stanescu] That seems relatively easy to me; since I lived that experience, had a popular newspaper, and showed great courage in what I wrote, people realized that I was a sound structure and brought me many pieces of information.

[Pora] Nevertheless, some items clearly came from, shall we say, a reformist wing of the Securitate. Were you in contact with that wing?

[Stanescu] There have been many attempts of this kind, concerning both myself and my colleagues. We received information about the reformist wing of the Securitate, but we always viewed it suspiciously. Some pieces of information were kept for months on end, because we did not trust them, although they were correct.

[Pora] Toward the end of your file it says that attempts will be made to recruit you again. What would have happened if the file had not been released?

[Stanescu] I don't know what would have happened, but collaboration with the SRI sounds like pure phantasy to me. How would they try to collaborate with the man who initiated the Patriot movement and who is struggling against the political police?

[Pora] Perhaps precisely for that reason?

[Stanescu] Yes, perhaps if they had something with which to blackmail me. Three months ago I was warned that this report was going to hit the market. How can you make a man who keeps kicking you become your brother?

[Pora] Much has been said and written about Point 8 of Timisoara. Along the same line and the same criteria, would it look right to you if former informers' were forbidden access to the press?

[Stanescu] I think that would be impossible. It never happened anywhere in the world. I think that ethically, all those who collaborated with the Securitate should be deprived of the means to express themselves publicly, through the press, from the Parliament dais, or from a cabinet seat, but, I repeat, those linked to domestic political espionage or the political police. What would be the point in barring a person who caught spies from working for the SRI?

Yugoslav Army Reportedly 'Moving in Circles'

*AU2205120792 Zagreb NOVI VJESNIK
in Serbo-Croatian 17 May 92 p 1*

[Article by Mirko Sajler: "Aggressor Is Not Crossing Danube"]

[Text] The Yugoslav Army must leave the occupied region of eastern Croatia after the blue helmets have taken up their positions and taken control of this war-torn region. This should be the beginning of the first phase of the demilitarization of sector "E"—eastern Slavonija and Baranja. However, Croatian Army patrols have noticed curious movements by the aggressor's army. It appears that the Yugoslav Army has packed, but is not crossing the Danube. Instead, it is deceiving the UNPROFOR [UN Protective Force] by moving in circles.

What is actually happening? On Saturday, we asked Zvonimir Valentekovic, Croatian Army official in the Osijek operational zone responsible for liaison with the UNPROFOR command in sector "E."

"Our patrols have recorded the movement of army convoys from Tenja to Sarvas, from Sarvas to Klisa, and then back to Tenja. They are still not leaving Croatian territory. A small part of the army and equipment has left Baranja by crossing the Batina Bridge on the Danube. But all of the artillery is still in Baranja, and, according to the orders issued by the UNPROFOR command, the guns should be pointed away from Osijek. However, not only is that order being ignored, but the firing has not yet stopped. The enemy is still shelling our positions, and it is not even hesitating from destroying civilian targets. We will, of course, inform the UNPROFOR officials about the behavior of the Yugoslav Army," said Zvonimir Valentekovic.

U.S. Accused of Acting Against Wrong Party*LD2205123592 Belgrade TANJUG in English
1143 GMT 22 May 92*

[Article by Branislava Stanisic: "Why Is the U.S. Government Accusing Serbs in Bosnia-Herzegovina and Yugoslavia?"]

[Text] Belgrade, May 22 (TANJUG)—The U.S. Government on Wednesday took real punitive measures against the Federal Republic of Yugoslavia on the basis of unfounded accusations that the Yugoslav Army's aggression on the republic of Bosnia-Herzegovina continues.

The measures became effective on Thursday.

The U.S. officially explained that it was revoking the landing rights of the Yugoslav airlines because it said the authorities in Belgrade had not lifted the blockade of the airport in Sarajevo, capital of Bosnia-Herzegovina, and had not secured the delivery of humanitarian aid to war-affected population in Bosnia-Herzegovina.

The accusations were obviously addressed to the wrong party since the Yugoslav Army has almost completely withdrawn from Bosnia-Herzegovina and neither it nor the Yugoslav authorities control Sarajevo airport and the situation in the field in that republic.

The U.S. State Department spokeswoman, Margaret Tutwiler, said that an attack allegedly staged by "Serbian forces" on a convoy with humanitarian aid headed for Sarajevo, in which an International Red Cross representative was killed, was the last straw for the U.S. Government. Tutwiler cited as evidence of the alleged aggressor's "brutality" the alleged capture of several thousand refugees from Sarajevo in the capital's Serbian suburb Ilidza.

The spokeswoman failed to inform the U.S. public that the convoy with humanitarian aid had safely gone through a territory controlled by Serbs and was attacked on May 18 in the suburb Vratnik which is controlled by Muslim-Croatian forces.

At the same time, it was not disclosed that International Red Cross representatives, themselves, had said that it was not known who had attacked the convoy.

Truth has also been concealed from the U.S. and world public about why and by whom the convoy of refugees had been stopped in Ilidza. It was not stopped by Serbian forces but by unarmed family members and relatives of the 200 or so Serbs massacred by Muslim forces in the Sarajevo suburb Pofalic on May 18.

The Ilidza residents demanded guarantees from international forums that there would be no more massacres of Serb civilians in the settlements controlled by Muslim-Croatian forces and that the Army would be enabled safely to evacuate the remaining personnel from the barracks kept under blockade.

The relatives of the innocent victims in Pofalic said they would let the convoy of refugees proceed if over a hundred boys under age, cadets of the military school at the "Marshal Tito" Barracks in Sarajevo, were safely evacuated. The

Sarajevo Army barracks have been kept under siege and fire by Muslim-Croatian forces for days.

The convoy of refugees was permitted to leave Ilidza on Wednesday. In the meantime, Serbs supplied food and water for the held refugees.

Muslim-Croatian forces have staged a number of attacks on military convoys which were pulling out of Bosnia-Herzegovina.

A convoy of the 2d military district command was attacked on May 3 in Sarajevo while withdrawing under guarantees from the U.N. Protection Force in Yugoslavia (UNPROFOR). Eight army members were killed and many wounded in the attack.

According to unofficial figures, 49 army members were killed and many more wounded in an attack staged by Muslim "green berets" on an army convoy which was drawing from the town of Tuzla.

The truth about those crimes and the massacres of 150 Serbs in Srebrenica, eastern Bosnia, and 120 Serbs in Kupres, Western Herzegovina, and about the thousands of Serbs held hostage by Muslim-Croatian forces, in Livno and Odzak, for example, has not reached the public in the United States and most other Western countries.

Despite everything, the U.S. Government has announced a series of further measures it means to take in accord with its European allies in case "aggression on Bosnia-Herzegovina" continues. European Community experts on Thursday recommended severe sanctions against Belgrade—a trade and transportation blockade and an oil embargo.

In addition to addressing unfounded accusations to the Serbs, the U.S. Government and the governments of the majority of Western countries are completely ignoring the efforts invested by Serbs for the cessation of hostilities and the resumption of the talks on the future order of Bosnia-Herzegovina.

Western sources have failed to say that the Muslim side has ignored a unilateral ceasefire proclaimed by Serbs and rejected a Serbian proposal for Sarajevo to be proclaimed a free city.

Since Alija Izetbegovic, Muslim leader and president of the Rump Muslim-Croatian presidency of Bosnia-Herzegovina, has openly stated that he is ready further to sacrifice peace for an independent and unitary Bosnia-Herzegovina, it is clear that drastic measures against the Federal Republic of Yugoslavia will not produce any solutions.

A way out lies strictly in a new European and U.S. policy, one which will respect the principle of equal rights for all nations in Bosnia-Herzegovina.

Desperate Situation of EC Observers Described*92BA0936A Hamburg DER SPIEGEL in German
18 May 92 pp 187, 190*

[Article by Klaus Boennemann: "That Much Less Hope": German EC Observer Klaus Boennemann on His Service in Sarajevo"—first paragraph is DER SPIEGEL introduction]

[Text] Boennemann, 45, is a lawyer and was one of the cease-fire observers in Slovenia, Croatia, Serbia, and Bosnia and Hercegovina from July 1991 until recently.

Antonio dos Santos is a brave man. Back home in Portugal he is a lieutenant colonel in the paratroops. In Sarajevo, until Tuesday of last week, he was head of the EC observer mission's regional center. This meant that he held probably the toughest job that the European Community had to give in war-torn Yugoslavia.

In his last days in Sarajevo dos Santos had been meeting with all sides, Muslims, Serbs, Croats, State Presidency, and Army: He gave no respite either to himself or to them; time after time he pressed his interlocutors with all the authority that the EC still possessed to sit down at the negotiating table for talks that would not have taken place without him and his team.

It is impossible to understand why people reject peace offers time after time when at times mortar shells are falling on the city at one-second intervals, when people are dying, and the situation is growing increasingly hopeless.

Cities are destroyed and villages attacked, not because they are military targets but in order to drive out the inhabitants. This is a war of terror. In Sarajevo sharpshooters fire at everything that moves in the streets.

Dos Santos's top priority is the safety of his team, which comes from almost every EC country, plus Czechoslovakia and Canada. The thought of something happening to one of us gives him nightmares. The death of a Belgian observer in Mostar was a turning point. What can you feel but helpless despair when you watch a colleague in his blue beret wave at a halted tank as he walks toward it, only to be cut down by a burst of fire from a machine gun?

It had been arranged that the EC team would accompany a group of technicians to repair some electrical cables, but what are guarantees worth when even UN soldiers—who, unlike EC observers, can defend themselves—are detained against their will and forced to surrender their arms and equipment?

A typical scene: We managed to gain the release of 156 soldiers held by the Bosnian militia prior to the expiration of an Army ultimatum. However, when the soldiers returned to their barracks, their feeling was one of rage at their humiliation, rather than joy at their safe return. They spit at the EC negotiator and came within a hair of beating him up. As he left the building, a grenade went off near him.

In Ilidze, our headquarters, the situation grows increasingly precarious. Muslim fighters had attempted to capture this Serbian enclave on the southern edge of the city but were forced back. The Serbian militia then established its strong-point directly opposite our hotel.

Every night the Serbs there fire at the Muslim settlements at the edge of the city. From dusk to early morning the air resounds with the infernal din of cannon, heavy machine guns, and mortars.

Your heart skips a beat when tanks fire into the darkness from maybe 200 meters away. At that point sleep is impossible and you might as well get up because it is better to be with your colleagues.

More and more often EC teams report that they are being hindered in the performance of their work. They must get out of their vehicles at roadblocks, submit to searches, and often they are turned back. A group of Belgians driving to Zagreb for their compatriot's funeral have to turn around. The Serbian militiamen search with particular care to see if there are any Germans in the vehicle.

In the Bosnian combat zone it is advisable not to advertise the fact that you are German. Serbian television propaganda has long portrayed Germany as being to blame for the troubles in Yugoslavia. The EC's policy is responsible for the country's disintegration and it is Germany that drives EC policy; that is the point that is constantly driven home in the Serbian media.

Thus you begin to grow a bit concerned after a while: As a German, how will you get out, since it is impossible to do so by land, when a marauding band could be lurking behind any bend in the road? What happens if the mission must be evacuated suddenly and you have to remain behind alone? It is a good feeling to have some Serbian friends who share these concerns. The propaganda does not appear to work on everyone.

The Army offers its aid. Although the airport is closed, helicopters can land in the open area at the barracks. Coordination is difficult because the telephones no longer work and the war frustrates all attempts at planning, but finally we succeed. As the heavy Russian MI-8 helicopter lifts off and clatters low over the hills of the besieged city toward Belgrade, you feel a great feeling of relief—but also concern about the fate of the people left behind.

In the end, did the EC observers flee helplessly? Five fathers killed in the line of duty prove the opposite and represent the high price the EC paid.

In addition, it is unfair to the observers to complain that the war is still raging despite 10 months of efforts. They cannot be blamed for the failure of the politicians in Yugoslavia. In any case, bringing about peace in this conflict seems hopeless as long as all parties do not want peace.

Essentially the EC mission on the ground must limit itself to mediation. But precisely that is its great value, as proven by countless instances, from the blockaded Army camps to the evacuation of refugees from Vukovar.

We must not fail the people who are counting on us. On the day that Antonio dos Santos's mission closes, people in Sarajevo will have that much less hope.

Preelection Divisions in 3 Serbian Parties*92BA0939A Belgrade NIN in Serbo-Croatian 8 May 92 pp 16-17*

[Article by Dragan Cicic: "Preelection Divisions"—first paragraph is NIN introduction]

[Text] For the time being, the disagreements in the three largest parliamentary parties in Serbia have the contours of icebergs. Will the so-called social democratic wing separate from the SPS [Serbian Socialist Party], because the SPO [Serbian Renewal Movement] deputies' club, in spite of Vuk Draskovic's suggestion, did not leave the Assembly, because Dragoljub Micunovic was outvoted at the last session of the Main Committee....

During Dragoljub Micunovic's recent guest appearance on "Minimaksovizija," one viewer asked whether the proverb "He is crying wolf, but the fox is eating the meat" applied to him and Draskovic. The president of the Democratic Party answered with a noncommittal smile, but it is clear that the opposition leaders in general think that someone else is eating the "meat," and in this regard there is no doubt about who is involved. In their opinion, in fact, there is little left that the parties opposed to the ruling one could gain, since almost everything has already been centralized by the state, i.e., the government.

When accusations against the government come from the opposition, there is nothing strange about it, but criticisms are also being heard more and more often from the ranks of the ruling party itself. Dr. Oskar Kovac explained to NIN the reasons for his dissatisfaction: "The SPS program convincingly presents a vision of a social welfare market economy, something similar to the German model, i.e., a full-blooded market economy whose negative consequences are cushioned by a developed social welfare system. That program does not have one word about the state's direct role in the economy. What we have in practice is that the 10 largest Serbian enterprises, which jointly represent 25 percent of the total economic capital, have been nationalized. All these enterprises, except for JAT [Yugoslav Air Transport], have completely passed into the hands of the state, and there is not even a question of mixed ownership. The government has appointed itself, i.e., the ministers, to the boards of directors. At the same time, through the formation of okrugs, local self-government has been taken away from the opstinas, and centralization is continuing, from kindergartens to universities. That kind of role for the state was not in the program either."

Divisions in the SPS

The Socialist Party is obviously no longer completely cohesive, if it ever was. People are talking more and more openly about its "liberal" wing, and even about the formation of a new social democratic party that will emerge from (part of) the SPS.

The Socialist Party was apparently formed more as a community of interests than as a political community; its primary goal was to win the elections. There was not much thought about whether the candidates proposed would be

able to convey the voters' position responsibly and participate in the legislative process, and this led to the formation of a "silent majority" within the SPS deputies' club. The main characteristic of that majority, according to our interlocutors, was an attitude that "they did their part" just by entering the Assembly, "and so they can calmly support every decision by the government which is thinking of them." (Here we will not go into whether this sort of choice of candidate deputies by the party leaderships was a consequence of inadequacy, or, on the contrary, skillful planning.)

The group of "those other" deputies is not negligible in number, either. That could be seen on the occasion of the vote on the Law on Restoring Church Property, which was withdrawn only after rather strong and open pressure from the party's leadership and from President Milosevic himself. It is in that context that one can also view the demand by Bata Zivojinovic at one time that there should by no means be secret voting on Bozovic's government. Later he said that he had insisted on this because "he suspected that there were those in his party who were vacillating."

In deciding on the return of church property, at least that first return, the "vacillating" ones, although numerically weaker, virtually imposed their position, but this was also due to the opposition's votes.

Apparently they were recently also successful in doing so on the internal party level, on the occasion of the election of the new head of the SPS deputies' group. According to our sources, it was planned that someone among the "proven personnel" would get that position, and thanks to the obedient majority, that would go through without difficulties. Since the majority group is not too enterprising or involved in the work of the deputies' group, those others instantly proposed and elected Zoran Lilic, a relatively young engineer and the director of a successful factory ("he has foreign exchange!").

Stormy Congress

Nevertheless, our interlocutors emphasize, one should not expect too great changes from Lilic's coming to head the deputies' group. From all indications, he is a technocrat—without the previous negative connotations—who does not have any clearly outlined political platform. It seems that Lilic is not backed by any cohesive bloc within the ruling party. On the contrary, the deputies who do not want to serve exclusively as a voting machine are a considerably heterogeneous group. Some are interested primarily in economic issues, although it can be expected that in time they will also deal more and more with pure politics, because they have already had an opportunity to ascertain that a successful market economy cannot be built in any sort of political system whatsoever. Their tactic will probably be the gradual occupation of key positions in the SPS and the transformation of the party from within.

The second group of dissatisfied deputies consists of those who have announced the formation of a new deputies' group within the framework of the SPS, and then also the formation of a new party—the Social Democratic Party. There was even discussion of the place (Svetozarevo) and the date of its proclamation (it has passed). One of the initiators of

this action, according to unofficial sources, was deputy Jovan Cvetkovic, who is also president of the Svetozarevo opstina, along with a group of deputies primarily from southern Serbia, and, judging by certain stories, also from many other electoral units (the figure of about 50 deputies, probably exaggerated, has been circulated). Their current interest is mostly focused on resolving the Serbian national question, and their criticism of the party's leadership would allegedly be insufficient determination and radicalism in resolving the Yugoslav crisis.

Whatever happens with this initiative, there is reason to expect a stormy Socialist Party congress (a new eighth session?), which naturally does not mean that any more fundamental changes will really happen as well.

Discussions About the Elections

The recent session of the SPO's central administration also showed that expectations are not always fulfilled. At this meeting, the atmosphere around which was (skillfully?) heated up by its being closed to the public, nothing happened. The lack of major changes can be explained by the fact that the members who are most radical on the national question have already left the party, and thus that faction, i.e., what is left of it, does not have the strength to impose any sort of change in what is now the dominant civil orientation of the SPO. Disagreement within the party is more pronounced on the issue of the method of further activity. The presidency, and especially Vuk Draskovic himself, has already been advocating leaving parliament for a long time now, but the deputies' group decides on that independently. In voting on it, everyone except one deputy (Mihajlo Markovic) was in favor of staying in the Assembly. Zoran Horvan informed NIN of his reasons:

"The Assembly rostrum still has its purpose. It is a bit surprising, but practice has shown that from time to time it is necessary to remind the people that their wallets are empty, and that their freedom of movement is restricted (this has to do with the certificates for leaving the country), and to remind them of the senselessness of war before trying to negotiate, the instigation of the 'white plague,' and the pronounced egotism of those who are waging war."

Another issue over which there was recently a split in the SPO is the issue of participating in the elections. The majority's position is clear—to do it only if certain conditions are met. There were people willing to participate in the elections even under the present circumstances, however. These were mostly the Vojvodina committees, who feel that the mood is such that the opposition would be sure to win in their okrugs. Next, not participating in the elections would deny the opposition's voters their rights, and some of them would possibly vote for the Serbian Radical Party, which, along with the SPS and the LC-Movement for Yugoslavia, would occupy all the positions in the opstinas, "which would marginalize the democratic opposition to a great extent."

There have also been disagreements within the Democratic Party over the local elections that have been announced. Its decision not to participate is well known, but specific demands have also been made. A considerable number of

the Main Committee's members considered those demands exaggerated, and advocated ones that would be more acceptable to the authorities; at least theoretically, this would leave open the possibility of participating in the elections scheduled for the end of May.

Socialist Deserters

Our sources say that this group also included the party's president, Dragoljub Micunovic, but after a 10-hour discussion, he was outvoted by a very small margin in the number of votes. The existence of different factions in the Democratic Party was also discussed before. The group more inclined to compromise with the authorities became dominant in relations within the party, and its representatives best known to the public are, reportedly, Micunovic, Zoran Dzindzic, and Desimir Tosic. They insist upon activity exclusively within an institutional framework and by institutional means, viewing politics above all as the art of compromise and adjustment. The adherents of a sharper course (its best-known representatives are Vojislav Kostunica, Vladeta Jankovic, and deputy Mirko Petrovic) agree in principle with that definition of politics, but only if there are regular, fully democratic conditions for the political struggle, which, they believe, is not the case here and now.

If one follows the Main Committee's decisions for several months back, one gets the impression that this second faction is slowly becoming dominant (the demand for scheduling elections for a constitutional assembly, first a republic one and then one for the joint state, the initiation of a petition for recalling the president of the republic, the decision to boycott the local elections...).

The three largest parliamentary parties in Serbia are obviously becoming divided. For the time being, however, one should not expect any spectacular changes. The only surprise in the near future could be the shift of some SPS deputies to the Democrats' deputies' club, which has been announced by Jovo Vukelic, the secretary of the Democratic Party. The people from the ruling party with whom we spoke, however, do not know who the possible Socialist deserters could be, and it is even more interesting that Vojislav Kosutica, the Democratic Party's vice president, does not know anything about it either, according to his own statement. The game of hide-and-seek is continuing.

Serbia Commentator Assesses Purge of Generals

AU2605115192 Belgrade NEDELJNA BORBA
in Serbo-Croatian 16-17 May 92 pp 6-7

[Commentary by Stipe Sikavica: "Second Sweep of Unjust Broom"]

[Text] The great "purge" of the generals of the Yugoslav Army, which was decided (for some surprisingly) on 8 May by the "collective chief commander," personified by Dr. Branko Kostic, is still making headlines in the domestic and international press. And it is bound to continue attracting (not only media) attention, until the next similar step by the federal authorities, for which we will not have to wait long.

Statements made by some people affected by this decision only confirm assumptions that the "purging of generals

operation" was prepared with great care and rather conspiratorially, and that both civilian and military (mostly future ones it seems) magnates took part in it. The final act was carried out more skillfully and effectively than any operation by units of the so-called Yugoslav People's Army in this whole sad war on the territory of former Yugoslavia.

Branko Kostic's haste to deny, in front of the representatives of the "seventh force" [reference to the press] on 11 May, after the closing of the 36th International Technology Fair in Belgrade, the thesis that Slobodan Milosevic was behind the "operation" ("it is a result of completely unfounded guessing") can only have an effect opposite to the desired one. Kostic's carelessness, displayed in his reference to "change in the Army leadership" (for which he will not be forgiven) speaks of change as a forced act, rather than of resignation as a voluntary act. That sheds more light on Kostic's order for the pensioning of the generals, which has been interpreted in various ways by the international and domestic public.

The most common interpretation is that the "hardline communists" in the military leadership have left, thus giving room to the "younger cadre, which is not burdened by communism," that "unsuccessful and inept generals" whose time had passed, had to be replaced by "young and capable officers."

However, dichotomies such as "communist believers of Tito's legacy" and "ideological puritans," "old and inept" and "young and capable" and "hardline" and "flexible," are all marginal. Among the generals who have been spared by the "iron broom" one can easily find many names that could, by even the most simplified of standards, bear a negative prefix. The changes in the Army leadership have been made along entirely different lines to these.

"Return From Folly"

The largest number of those affected by Kostic's decision were those who met at least one legal condition for pensioning, or came very close to it. They make up half of the 38 people pensioned, so in that respect Mr. Branko Kostic is right when he says that this mass pensioning of generals should not come as a surprise. That group accepted the decision on pensioning with calm, and Negovanovic cannot count on them in his process of creating "mortal enemies" of those who pensioned them. Another group is defined by the fact that this time all non-Serbian generals have been "swept aside" (Pehar, Karanusic, Ruzinovski, Kostovski, Nikolovski, and Fetahagic). Then there are those who have been more inclined to call themselves Yugoslavs than Serbs (and certainly not Serbs who accept Milosevic's politics). In connection with that, an Army commentator recently lamented: "We believe that the Serbian officers at this moment have the most difficult task in the history of their people, because they are finally having to pay for their grandiose Yugoslav folly...." (meaning almost all the pensioned Serbs, together with Adzic). And finally, the criteria for the pensioning was success in work, which Dr. Kostic put in these words: "There are a number of officers whose work we do not find satisfactory." (According to unofficial

sources, this referred to Kukanjac, Vasiljevic, Negovanovic, Avramovic, and, of course, Adzic.)

So let us have a closer look at some of the more prominent names from the list of 38.

In the case of Blagoje Adzic, resignation is only a more bearable name for dismissal. He will not recover easily because he was convinced that everything he did was for the common good. Asked how he felt after the proclamation of the new constitution of the Federal Republic of Yugoslavia, he said: "Like a citizen feels when he sees that his country is surviving.... The members of the Army must do all they can to defend this Yugoslavia...." So, as he himself said many times, a Yugoslav through and through! But still, a very crippled Yugoslav burdened by the horrible tragedy of his family, which was murdered by the Ustashi in that other war. His unsuccessful recent dialogue with the parents of those soldiers caught in the whirlpool of the Bosnia-Herzegovina battlefields only confirmed the earlier decision to relieve him of the function to which, as the headquarters barroom gossip had it, he was simply not suited.

The appearance of Marko Negovanovic's name on the list is the greatest surprise for many. Although it was he who launched "Topola is defended in Gospic," he failed to impress the Serbian public. He probably did not keep in mind the fact that the same public could not forgive him and the Service for military security, whose leader he then was, for the amateur approach to the July war in Slovenia. Obsessed with his career, he did not seem to realize that he could not behave like a Serbian military minister as he did in the general staff, and that he had to submit himself to the leader. Still, it was widely believed that he was more skillful a player in "great games" than he actually turned out to be, and that he would not slip on the banana peel, so deftly placed before him by Mrs. Dobrila Gajic-Glisic, the executor of the order.

Importing a Tragedy

The removal of Milutin Kukanjac from the command post of the Second Military District is a radical step by Kostic's so-called Presidency. If anybody else had been in Kukanjac's place, the same thing would have happened. It is impossible to find one's bearings in this great political mix-up. The range of Kukanjac's commanding in the Bosnia-Herzegovina war went from media popularity, when the naive people believed that Kukanjac and his army could save them from the tragedy that had been imported to Bosnia, to the imprisoning of Alija Izetbegovic and the deaths of many innocent, mostly young people in the Army convoy pulling out of Sarajevo. That finished his military career.

After the Slovene war, Zivota Avramovic replaced "traitor" Konrad Kolsek as commander of the then Fifth Military District. The Croatian media branded him, with good reason probably, the "Ice Man." However, after the war in Croatia, and particularly after the "Trifunovic case," it turned out that Zivota was not so "icy" after all, and certainly not as skilled in commanding warfare as it had seemed. He is going into retirement satisfied.

If it had not been for those endlessly long negotiations with Imro Agotic, officer of the Croatian army, during the war in Croatia, nobody would have heard of Andrija Raseta. As it happened, with the help of the mass media, Raseta hit the headlines worldwide, although he does not care much for his own popularity. He is not one to weep over his fate.

Things are different for Milan Aksentijevic. Two or three years before our catastrophe, he was a representative in the Slovene Assembly, who "protected Army interests" and "opposed local separatism," which greatly influenced his rise in the Army. Milan Aksentijevic was the first colonel to be promoted to a general in this Yugoslav war. In the middle of last September, he was taken prisoner by the members of the Corps of the National Guard, the news of which made a sensation the world over. He spent exactly 72 days in imprisonment. All that time he was at the heart of the Yugoslav tragedy, from Ljubljana to Sarajevo. Some colleagues envied him, saying that he got hold of a generals' rank easily. However, even if his health had not been ruined by the experience, he still could have not been anything but a great loser.

There are three more warriors on the list: Vice Admiral Miodrag Jokic, and generals Spiro Nikovic and Savo Jankovic. The latter two are peacemakers rather than some sort of war eagles, although they both commanded a corps—Jankovic, the Tuzla Corps, and Nikovic, first the Knin Corps and then the Bihac one. Judging by some statements they made, they were becoming tired of it all, which says a lot about their attitude towards retirement. Admiral Jokic had been minister for defense of the Republic of Serbia before he was sent out to the Dubrovnik battle zone. He did not escape the curse of those who had all their property "flattened to the ground" there.

Nikola Cubra is a man who made it from soldier to colonel-general. He holds a doctorate in economics, and had been the Army budget planner for years. He did expect to be retired, but it must have come as a surprise to him to be sent packing with Adzic.

So, the second great sweep of generals is over (the first one was on 28 February). Up till now, 66 generals have been pensioned off, and there are at least as many about to leave active service. This second sweep was more damaging than the first. It came suddenly, and caused great confusion in the massive buildings of the Federal Secretariat for National Defense. They say that after the news reached them, the telephones were used until they became red hot. People were confused and some were frightened because retirees, provided they live only on their salaries, that is, pensions, have to count on a 40-percent drop in their living standards. So it is no wonder that many officers and civilians in the Army service put up a bitter struggle to avoid the wave of pensioning off.

Macedonian Security Council Membership

92BA0931A Skopje NOVA MAKEDONIJA
in Macedonian 1-2 May 92 p 3

[Unattributed report: "Macedonian Republic Security Council Established"—first paragraph is NOVA MAKEDONIJA introduction]

[Text] According to the Constitution, Kiro Gligorov, president of the Republic of Macedonia, is council chairman.

In accordance with the Constitution, on 31 March Kiro Gligorov, president of the Republic of Macedonia, submitted a resolution on the structure and the naming of a chairman and members of the Republic of Macedonia Security Council.

On the basis of this resolution, according to the Constitution, the president of the Republic of Macedonia is the council's chairman. The following were appointed council members: Stojan Andov, chairman of the Republic of Macedonia Assembly; Dr. Nikola Kljusev, prime minister of the Republic of Macedonia; Dr. Ljubomir Frckovski, minister of internal affairs; Dr. Trajan Gocevski, minister of national defense; Dr. Denko Maleski, minister of foreign relations; Krste Crvenkovski, retired; Dzeladin Murati, deputy chairman of the Republic of Macedonia Assembly; and Colonel General Todor Atanasovski, retired.

In accordance with Article 86 of the Constitution of the Republic of Macedonia, the council consists of the president of the Republic of Macedonia, who is its chairman; the Assembly chairman; the prime minister; the ministers in charge of security, defense, and foreign affairs; and three other members appointed by the president of the Republic.

According to the Constitution, the council will deal with issues related to security and defense and submit proposals to the Assembly and the government.

Loyalty Oath for First Macedonian Conscripts

92BA0931B Skopje NOVA MAKEDONIJA
in Macedonian 1-2 May 92 p 3

[Article by Z.P.: "General Staff of the Army of the Republic of Macedonia Stipulates Terms of Military Service"]

[Text] The first contingent of recruits of the Army of the Republic of Macedonia, who arrived at four garrisons in the Republic in the month of April, as we have already reported on several occasions, will give their loyalty oath in the course of this month. According to the information service of the General Staff of the ARM [Army of the Republic of Macedonia], the loyalty oath ceremony at Skopje garrison will take place on 9 May, Saturday, and one day later at the Bitola garrison. One week later, on 16 May, the conscripts will swear their oath of loyalty at the garrison in Shtip and, on the following day, in Ohrid. All activities will start at 1000.

This being an exceptional military event in the life of every member of the Armed Forces, who must swear a loyalty oath to his fatherland and to the citizens, interest in the text of the loyalty oath is natural. It has already been drafted and submitted for review by the pertinent authorities and agencies, and, according to our information, the final version will be checked by the president of the Republic, as well. The oath will be a very brief, concise, and progressive text, free from ideology and elements of emotionalism and patriotic pathos.

Although the definitive text may be subject to some changes and additions, as proposed, the text of the loyalty oath reads:

I (first and last name) swear to defend the freedom, sovereignty, and territorial integrity of the Republic of Macedonia. I shall perform my duties and obligations in a disciplined, conscientious, and responsible way, as defender of my fatherland, the Republic of Macedonia, and shall struggle for its freedom and honor.

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